

Daejan Holdings PLC
Annual Report and Accounts 1990.

Directors and Advisers

Directors

B S E Freshwater
(Chairman and Managing Director)
D Davis
S I Freshwater

Secretary

H E Severn, F.C.I.S.

Registered and Head Office

Freshwater House,
158-162 Shaftesbury Avenue,
London WC2H 8HR

Registrars

Lloyds Bank Plc,
Registrar's Department,
Goring-by-Sea,
Worthing, West Sussex BN12 6DA

Auditors

KPMG Peat Marwick McLintock,
1 Puddle Dock,
Blackfriars,
London EC4V 3PD

Consulting Accountants

Cohen, Arnold & Co.,
13-17 New Burlington Place,
London W1X 2JP

Principal Bankers

Lloyds Bank Plc
National Westminster Bank PLC
Barclays Bank PLC

Stockbrokers

Kleinwort Benson Securities Limited,
20 Fenchurch Street,
London EC3P 3DB

Notice of Meeting

Notice is hereby given that the Fifty-fifth Annual General Meeting of Daejan Holdings PLC will be held at The Presidents' Committee Room, CBI, 1st Floor, Centre Point, New Oxford Street, London WC1, on Wednesday 5th September 1990 at 12 noon, for the following purposes:-

1. To receive the Accounts for the year ended 31st March 1990 together with the Reports of the Directors and the Auditors. (Resolution 1).
2. To declare a final dividend. (Resolution 2).
3. To re-elect Mr S I Freshwater as a Director. (Resolution 3).
4. To re-appoint KPMG Peat Marwick McLintock as Auditors and to authorise the Directors to determine their remuneration. (Resolution 4).

By Order of the Board,
H E Severn,
Secretary



10th August 1990

A Member entitled to attend and vote may appoint one or more proxies to attend, and on a poll, to vote instead of him. A proxy need not be a Member of the Company. To be valid, forms of proxy must be received by the Company's Registrars at least 48 hours before the time fixed for the Meeting.

The recommended final dividend will, if approved, be paid on 5th September 1990 to Shareholders registered at the close of business on 8th August 1990.

No Director has a service contract which cannot be terminated by less than twelve months' notice.

Results at a glance

	Year ended 31st March	
	1990	1989
	£000	£000
Pre-tax Profits	19,359	32,516
Net Profits	13,040	20,630
Earnings per Share	79.83p	126.52p
Dividends per Share	23.00p	22.00p
Net Assets per Share (based on Balance Sheet values)	<u>£13.32</u>	<u>£11.68</u>

Final Dividend of 15.0p per share payable on 5th September 1990

Chairman's Statement

It is a pleasure to be able to present accounts showing a profit before tax in excess of £19 million, earned despite a generally difficult year of economic uncertainty, a depressed residential sales market and high interest rates. The results achieved are a reflection of the underlying strength of the Group and its potential for secure growth in adverse as well as in favourable conditions. Rental income has made a record contribution to Group profit - of the pre-tax profit of £19.36 million only £9.55 million arose from the sale of properties. In view of the many reversionary properties owned it is anticipated that rental income will in future provide an increasingly substantial contribution to overall group profit.

Turning to the Balance Sheet, I am pleased to highlight the increase in net asset value being the combined result of retained earnings and the professionally assessed increase in the value of our property investment portfolio. In order to realistically gauge the Group's net worth it is also necessary to take into account the increased value of the properties held for trading which are stated at book value based on original cost. These properties are professionally revalued on a quinquennial basis which last took place in January 1987. That valuation revealed a surplus over book value of £74 million which, if incorporated into the Balance Sheet, would reveal Group net worth in excess of £290 million (£17.85 per share) before allowing for tax on realisation.

It is particularly gratifying to record increased property values at a time when other property groups have suffered reductions. This is due to our prudent purchasing policy over the years which has enabled us to build up a well balanced portfolio covering a wide spectrum of property investment, but without undue emphasis on any one sector. The same policies have also been pursued in the United States where our growing portfolio continues to perform well and also provides a valuable form of diversification.

The Group enjoys a strong balance sheet, together with adequate liquid reserves and bank facilities, with which to further its continuing programme of property purchases. Current conditions have presented the opportunity for worthwhile acquisitions on favourable terms and we shall continue to expand our portfolio with investments that are compatible with our overall strategy. One such acquisition since the year end is a major Shopping Centre at Newton Aycliffe, County Durham comprising 186,000 square feet of shops and offices.

This year, more than ever, I find it very difficult to make a profit forecast but I can say that the first half of this year so far compares satisfactorily with that of last year and, if this trend continues, the full year's results should not be disappointing.

The United Kingdom housing market has been through a severe recession, from which it appears to be beginning to emerge. Our considerable residential holdings will be of increasing benefit to the Group in the recovery which I consider to be inevitable, and a continued stream of profit arising from sales of residential units is thus to be expected as a significant component of our annual revenues in the future.

Our Company Secretary, Mr H E Severn retires upon conclusion of this year's Annual General Meeting. Hal Severn has served us loyally and efficiently as Company Secretary and also as an Executive Director of our Management Company for the past 24 years. I am sure that you will all join me in extending to him best wishes for a long and happy retirement.

In conclusion, it can be said that the way an organisation reacts to difficult conditions is a reflection of the resilience and resolution of its management and staff. If that is so then I think our results reveal a strength which will carry us through whatever the future may bring. On your behalf I thank every employee for the continued support and loyalty they have shown throughout the year.

B. S. E. Freshwater
B S E Freshwater

Directors' Report

The Directors have pleasure in presenting their Report together with Balance Sheets of the Company and of the Group as at 31st March 1990 and the Consolidated Profit and Loss Account of the Group for the year ended on that date.

Principal Activities of the Group

Daejan Holdings PLC is a holding company whose principal activities, carried on through its subsidiary companies, are property investment and trading, with some development also being undertaken. The major part of the Group's property portfolio comprises commercial, industrial and residential premises throughout the United Kingdom. Some subsidiary companies are incorporated in the United States of America and undertake property investment and trading in that country.

Properties

A professional revaluation of all the Group's United Kingdom investment property was carried out at 31st March 1990 by the Group's valuers, Keith Cardale Groves and a copy of their report appears on page 22. The Group's United States investment property has been valued by the Directors. The resultant figures have been included in the Accounts now presented and the surplus of £18.6 million over previous book values has been transferred to Revaluation Reserve.

The Group's trading portfolio in both the U.K. and U.S.A. was professionally valued in 1987 and, at that time, had a surplus over book value of £74.2 million which was not incorporated into the Accounts. The Board are satisfied that, at 31st March 1990, properties held for trading and development still had a value substantially in excess of their book value.

Results and Dividend

The net earnings for the year, after the extraordinary item and all charges, amounted to £16,188,000. An Interim Dividend of 8p per share was paid on 16th March 1990 and the Directors now recommend the payment of a Final Dividend of 15p per share, making a total for the year of 23p per share, an increase of 1p over the previous year. The dividends will absorb £3,748,000 and will leave £12,440,000 to be added to retained profits.

A review of the activities of the Group is contained in the Chairman's Statement on page 3.

An analysis of the Group's turnover and profit before taxation for the year is as follows:-

	Turnover		Profit	
	U.K. £000	U.S.A. £000	U.K. £000	U.S.A. £000
Rents and Charges	26,543	2,600	13,644	696
Sales of Properties	10,523	2,380	8,835	713
Other Activities (including share of U.S.A. partnership profits)	—	—	50	222
	<u>£37,066</u>	<u>£4,980</u>	<u>22,529</u>	<u>1,631</u>
Financing Charges (net)			398	(1,751)
Administrative and Other Expenses			(3,036)	(412)
			<u>19,891</u>	<u>(£532)</u>
			(532)	
Profit before taxation			<u>£19,359</u>	

Directors' Report (continued)

Directors

The Directors who served throughout the year, and who are still in office, are:-

Mr B S E Freshwater

Mr D Davis

Mr S I Freshwater

The Director retiring by rotation is Mr S I Freshwater who, being eligible, offers himself for re-election.

Mr S I Freshwater does not have a service contract.

A brief biography of the Directors is as follows:-

Mr B S E Freshwater - Joined the Board in December 1971 with primary responsibility for the Group's finances. In July 1976 he was appointed Managing Director and, additionally, became Chairman in July 1980.

Mr D Davis - A Chartered Accountant and member of the Institute of Taxation, was previously a partner in Cohen, Arnold & Co., the Group's consulting accountants. He relinquished his partnership in 1971 in order to devote more time to his numerous business and other interests. He has been a non-executive Director of the Company since December 1971.

Mr S I Freshwater - Directs the Group's operations in the U.S.A. and also has responsibility for the Group's U.K. sales division. He has been a Director of the Company since January 1986.

Directors' Interests in Contracts

Day-to-day management of the Group's properties in the United Kingdom is partly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies and are also interested in the share capital of Highdorn Co. Limited. Mr B S E Freshwater and Mr D Davis are also Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company.

Mr B S E Freshwater and companies controlled by the Freshwater family and trusts have on occasions guaranteed borrowings of the Company and its subsidiaries.

The only other contracts in which Directors were interested were those entered into in the normal course of business.

Substantial Interests

Set out on page 6 are details of the interests of Directors and their families and family trusts in the Company's shares.

The only other interests notified to the Company are those of the Trustees of the B S E Freshwater and S I Freshwater Settlements, who are interested in 1,645,000 shares and 1,500,000 shares, respectively, as trustees only and with no beneficial interest. These are part of the shares referred to in Note 2 to the table on page 6.

Income and Corporation Taxes Act 1988

The Directors are advised that the Company is a Close Company within the meaning of the Act.

Capital Gains Tax

For the purpose of computing Capital Gains Tax the market value of the Company's Shares was 189p on 31st March 1982.

Charitable Donations

During the year the Group made charitable donations totalling £60,000 net under Deed of Covenant.

Directors' Report (continued)

Auditors

On 1st January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and, accordingly, they have signed their report in their new name.

A resolution will be proposed at the Annual General Meeting to re-appoint KPMG Peat Marwick McLintock as Auditors and to authorise the Directors to determine their remuneration.

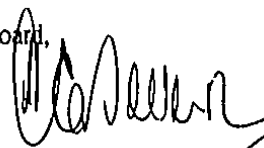
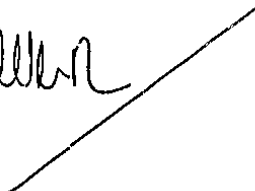
Interests of Directors and their families and trusts in shares of the Company

<i>Daejan Holdings PLC</i>	<i>31st March</i>	<i>31st March</i>
<i>Ordinary Shares</i>	<i>1990</i>	<i>1989</i>
D Davis	763 (notes 2 & 3)	763
B S E Freshwater	590,033 (notes 2, 3 & 4)	590,033
S I Freshwater	89,270 (notes 2, 3 & 4)	89,270

Notes:

1. All the above holdings were beneficially owned.
2. A further 4,133,116 shares (*31st March 1989 - 4,133,116*) were held by Freshwater family trusts and by charitable companies in which Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis have a non-beneficial interest.
3. In addition to the holdings shown in the table and in note 2 above, companies owned and controlled by Mr B S E Freshwater, Mr S I Freshwater and by their families, and family trusts, held at 31st March 1990 a total of 8,156,431 shares (*31st March 1989 - 8,156,431*). Mr D Davis has a non-beneficial interest in some of these shares as a Director of the companies concerned, or as a trustee.
4. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
5. There have been no changes in any of the above interests since 31st March 1990.

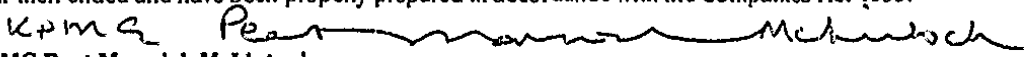
By Order of the Board,
H E Severn,
Secretary
5th July 1990

*Auditors' Report to the Members of
Daejan Holdings PLC*

We have audited the Accounts on pages 7 to 21 in accordance with Auditing Standards.

In our opinion the Accounts give a true and fair view of the state of affairs of the Company and of the Group at 31st March 1990, and of the Profit and Source and Application of Funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Peat Marwick McLintock
Chartered Accountants
London
5th July 1990

*Consolidated Profit and Loss Account
for the year ended 31st March 1990*

	Notes	1990 £000	1989 £000
Rents less property outgoings	2	14,340	12,173
Surplus on sale of properties	2	9,548	24,441
Other income	3	272	1,052
		<u>24,160</u>	<u>37,666</u>
Financing charges	4	1,353	2,456
Administrative and Other Charges		<u>3,448</u>	<u>2,694</u>
		<u>(4,801)</u>	<u>(5,150)</u>
Profit on ordinary activities before taxation	5	19,359	32,516
Taxation on profit on ordinary activities	6	<u>(6,319)</u>	<u>(11,886)</u>
Profit on ordinary activities after taxation		13,040	20,630
Minority interests		<u>(31)</u>	<u>(13)</u>
Profit for the year before extraordinary item	7	13,009	20,617
Extraordinary item	8	<u>3,378</u>	<u>—</u>
Profit for the year after extraordinary item		16,387	20,617
Transfer to Other Reserves	1(c) and 19	<u>(199)</u>	<u>—</u>
		<u>16,188</u>	<u>20,617</u>
Dividends:			
Interim		1,304	1,304
Proposed Final		<u>2,444</u>	<u>2,281</u>
		<u>(3,748)</u>	<u>(3,585)</u>
Retained Profit for the year	19	<u><u>£12,440</u></u>	<u><u>£17,032</u></u>
Earnings per Share	9	<u><u>79.83p</u></u>	<u><u>126.52p</u></u>

The notes on pages 11 to 21 form part of these Accounts

*Consolidated Balance Sheet
as at 31st March 1990*

	Notes	1990 £000	1989 £000
FIXED ASSETS			
Tangible Assets	10	206,361	184,862
Investments	11	985	1,360
		<u>207,346</u>	<u>186,222</u>
CURRENT ASSETS			
Properties held for Trading	12	49,004	43,793
Deferred Taxation	6 (b)	824	1,144
Debtors	13	17,183	11,075
Investments	14	1,420	1,215
Cash at Bank		7,036	15,469
		<u>75,467</u>	<u>72,696</u>
Creditors: Amounts falling due within one year	15	(33,785)	(42,800)
Net Current Assets		<u>41,682</u>	<u>29,896</u>
Total Assets less Current Liabilities		<u>249,028</u>	<u>216,118</u>
Creditors: Amounts falling due after more than one year	16	(30,637)	(24,552)
Provision for liabilities and charges	17	(857)	(736)
Net Assets		<u><u>£217,534</u></u>	<u><u>£190,830</u></u>
CAPITAL AND RESERVES			
Called up Share Capital	18	4,074	4,074
Share Premium Account	19	555	555
Revaluation Reserve	19	137,049	123,407
Other Reserves	19	4,666	4,139
Profit and Loss Account	19	70,673	58,233
		<u>217,017</u>	<u>190,408</u>
Minority Interests		517	422
		<u><u>£217,534</u></u>	<u><u>£190,830</u></u>

These Accounts were approved by the Board of Directors on 5th July 1990

B S E Freshwater

D Davis

Directors

The notes on pages 11 to 21 form part of these Accounts

Balance Sheet
as at 31st March 1990

	Notes	1990 £000	1989 £000
FIXED ASSETS			
Investment in subsidiaries	20	161,810	160,078
CURRENT ASSETS			
Deferred Taxation	6 (b)	822	754
Debtors	13	55	50
Cash at Bank		<u>111</u>	<u>102</u>
		988	906
 Creditors: Amounts falling due within one year			
	15	<u>(10,655)</u>	<u>(8,456)</u>
Net Current Liabilities		(9,667)	(7,550)
Total Assets less Current Liabilities		152,143	152,528
 Creditors: Amounts falling due after more than one year			
	16	<u>(4,526)</u>	<u>(6,913)</u>
Net Assets		<u>£147,617</u>	<u>£145,615</u>
 CAPITAL AND RESERVES			
Called up Share Capital	18	4,074	4,074
Share Premium Account	19	555	555
Revaluation Reserve	19	140,963	140,963
Profit and Loss Account	19	<u>2,025</u>	<u>23</u>
		<u>£147,617</u>	<u>£145,615</u>

These Accounts were approved by the Board of Directors on 5th July 1990

B S E Freshwater

D Davis

} Directors

The notes on pages 11 to 21 form part of these Accounts.

*Source and Application of Funds
for the year ended
31st March 1990*

	1990	1989
£000	£000	£000
SOURCE OF FUNDS		
Profit on ordinary activities before tax	19,359	32,516
Adjustments for items not involving the movement of funds:		
Surplus on disposal of investment properties and other fixed assets	(4,529)	(17,931)
Extraordinary write back of provisions	3,378	—
Movements in provisions	441	(166)
Foreign exchange movement	127	623
	<u>(583)</u>	<u>(17,474)</u>
FUNDS GENERATED FROM OPERATIONS	18,776	15,042
FUNDS FROM OTHER SOURCES		
Proceeds from the sale of investment properties and other fixed assets	4,904	20,972
Net increase in mortgage advances and unsecured loans	6,200	—
	<u>29,880</u>	<u>36,014</u>
APPLICATION OF FUNDS		
Additions to fixed assets	7,952	15,401
Net decrease in mortgage advances and unsecured loans	—	10,312
Movements on fixed asset investments	(375)	(4)
Taxation paid	14,509	8,881
Dividends paid to shareholders	3,585	3,097
Dividends paid to minorities	16	29
	<u>25,687</u>	<u>37,716</u>
	<u><u>£4,193</u></u>	<u><u>(£1,702)</u></u>
REPRESENTED BY		
Increase in properties held for trading	5,211	9,577
Increase in debtors	6,108	1,763
Decrease/(increase) in creditors	3,550	(3,857)
Increase in investments held as current assets	205	2,498
	<u>15,074</u>	<u>9,981</u>
MOVEMENTS IN NET LIQUID FUNDS		
Decrease in cash at bank	(8,433)	(10,628)
Increase in bank loans and overdrafts	(2,448)	(1,055)
	<u>(10,881)</u>	<u>(11,683)</u>
	<u><u>£4,193</u></u>	<u><u>(£1,702)</u></u>

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's Accounts.

(a) Basis of Accounting

The Accounts are prepared under the historical cost convention as adjusted by the policy of accounting for investment properties referred to in note 1 (g) and the policy of accounting for investments in subsidiary companies referred to in note 1 (k).

(b) Consolidation

The Accounts of certain subsidiary companies have not been consolidated (see note 20 (b)). A separate profit and loss account dealing with the results of the Company only has not been presented in accordance with Section 228(7), Companies Act 1985.

(c) Income Available for Distribution

Under the Articles of Association of certain Group investment companies, realised capital surpluses are not available for distribution as dividends and these surpluses are taken to Other Non-Distributable Reserves.

(d) Depreciation

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The Directors consider that this accounting policy results in the accounts giving a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Leases having an unexpired term of less than twenty years are amortised evenly over the remaining period of the lease.

Low value items of furniture and fittings are written off in the year in which they are acquired.

(e) Acquisitions and Disposals of Properties

Acquisitions and disposals are considered to have taken place at the date of legal completion.

(f) Deferred Taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the accounts, and is calculated on the liability method. Provision is made for deferred taxation in respect of those timing differences which are expected to crystallize in the foreseeable future.

(g) Properties

(i) Investment Properties

In accordance with Statement of Standard Accounting Practice 19, investment properties are included in the Balance Sheet either at professional valuation, carried out at regular intervals, or at Directors' valuation carried out in the intervening years. The aggregate surplus is transferred to a revaluation reserve and on realisation is included in the Consolidated Profit and Loss Account.

(ii) Trading and Development Properties

These properties are stated at the lower of cost and net realisable value. In the case of properties acquired from other Group companies any profit in the transferor company is eliminated on consolidation until realised by the Group.

Notes to the Accounts (continued)

(h) Foreign Currencies

Foreign currency borrowing and the assets, liabilities and results of the overseas subsidiary companies are translated into sterling at the rates of exchange ruling at the Balance Sheet date, and any surplus or deficit arising on such translation is dealt with through Other Non-Distributable Reserves.

(i) Sales of Investment Properties

It is Group policy to sell, as individual units, flats in residential blocks which have been held as investments but which are now considered uneconomic to retain. Occasionally there are sales of residential and commercial investment blocks. Since such sales of all types of investment property are expected to continue, the resulting surplus based on the excess of sales proceeds over original cost, plus subsequent additions, is included within the Group profit. Taxation on the gains arising on these sales is shown as part of the taxation charge.

(j) Repairs

The cost of repairs is written off to Profit and Loss Account in the year in which the expenditure is incurred.

(k) Investments in Subsidiary Companies

Investments in subsidiary companies are included in the Company Balance Sheet at Directors valuation carried out at regular intervals based on net asset value.

Notes to the Accounts (continued)

2. GROUP TURNOVER

An analysis of the main sources of property income and their respective contribution towards the profit for the year is as follows:

	1990			1989		
	Turnover	Cost of	Gross	Turnover	Cost of	Gross
	£000	turnover	profit	£000	turnover	profit
		£000	£000		£000	£000
Rents and service charges receivable (see (i) below)	29,143	(14,803)	14,340	25,022	(12,849)	12,173
Trading property sales	7,999	(2,916)	5,083	8,117	(1,212)	6,905
Investment property sales (see (ii) below)	4,904	(439)	4,465	20,972	(3,436)	17,536
	<u>£42,046</u>	<u>(£18,158)</u>	<u>£23,888</u>	<u>£54,111</u>	<u>(£17,497)</u>	<u>£36,614</u>

Included in the 1989 figures above is turnover of £17.8m and gross profit of £14.7m in respect of the sale of a major investment property

The geographical analysis of turnover as shown above is as follows:

	1990		1989	
	U.K.	U.S.A.	U.K.	U.S.A.
	£000	£000	£000	£000
Rents and service charges receivable	26,543	2,600	22,953	2,069
Trading property sales	5,619	2,380	7,658	459
Investment property sales	4,904	—	20,972	—
	<u>£37,066</u>	<u>£4,980</u>	<u>£51,583</u>	<u>£2,528</u>

(i) Cost of rents and service charges receivable includes:

	1990	1989
	£000	£000
Wages and salaries	886	844
Social security costs	80	75

These figures relate only to portering staff of whom an average number of 142 (1989-145) were employed during the year.

<u>£966</u>	<u>£919</u>
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(ii) Investment property sales

	1990	1989
	£000	£000
Transfer from revaluation reserve of surplus now realised (note 19)	3,034	7,086
Surplus over book value (net of disposal costs)	1,431	10,450
	<u>£4,465</u>	<u>£17,536</u>

Notes to the Accounts (continued)

3. OTHER INCOME

	1990	1989
	£000	£000
Share of U.S.A. partnerships' results	222	829
Sundry income	49	223
Surplus on redemption of debentures and loan stock	1	—
	<u>£272</u>	<u>£1,052</u>

4. FINANCING CHARGES

	1990	1989
	£000	£000
Interest payable on bank loans and overdrafts:		
Repayable within 5 years	1,079	2,103
Repayable in more than 5 years	2,380	1,956
	<u>3,459</u>	<u>4,059</u>
Less: Interest receivable	<u>(2,106)</u>	<u>(1,603)</u>
	<u>£1,353</u>	<u>£2,456</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1990	1989
	£000	£000
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration	207	203
Directors' emoluments (see (i) and (ii) below)		
Fees	10	10
Other remuneration (including pension contributions)	<u>559</u>	<u>328</u>
(i) Chairman and highest paid Director	<u>£193,500</u>	<u>£178,500</u>
(ii) Other Directors for services in the U.K.		
	Number	Number
£0 to £5,000	—	2
£5,001 to £10,000	1	—
£100,001 to £105,000	<u>1</u>	<u>—</u>
Staff costs	£000	£000
Salaries	1,061	1,060
Pensions	33	32
Social Security costs	<u>96</u>	<u>86</u>
	<u>£1,190</u>	<u>£1,178</u>

These figures are the Group's proportion of Administrative Staff costs and are equivalent to an average of 92 employees (1989 - 91 employees).

Notes to the Accounts (continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation based on the profit for the year of the Company and its subsidiaries:	1990	1989
	£000	£000
U.K. corporation tax at 35%	6,103	11,305
Overseas taxation	120	88
Deferred taxation	483	(72)
	<u>6,706</u>	<u>11,321</u>
Prior year adjustments	<u>(387)</u>	<u>565</u>
	<u>£6,319</u>	<u>£11,886</u>

(b) Deferred Taxation Asset

	The Group		The Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Advance corporation tax recoverable	815	761	815	761
Short term timing differences	9	337	7	(7)
Other timing differences	—	46	—	—
	<u>£824</u>	<u>£1,144</u>	<u>£822</u>	<u>£754</u>

Apart from the above items there was at 31st March 1990 a potential liability for deferred taxation in respect of Industrial Building Allowances of £1,140,000 (1989 - £1,146,000). No provision has been made in these Accounts in respect of this liability as it is not expected to arise in the foreseeable future.

In the event of a realisation of the Group's investment properties and of the Company's investment in subsidiaries at an amount equal to the valuation recorded in the Accounts, a liability to corporation tax on chargeable gains would arise estimated at not more than £25m and £7m respectively (1989 - £26m and £7m) and for which no provision has been made in these Accounts.

	The Group	The Company
	£000	£000
The movement on the Deferred Taxation Asset is as follows:		
At 1st April 1989	1,144	754
(Utilised)/provided in year	(374)	14
Advance corporation tax recoverable	54	54
At 31st March 1990	<u>£824</u>	<u>£822</u>

7. PROFIT FOR THE YEAR

Of the Group profit for the year after taxation, minority interests and extraordinary item a surplus of £5,750,000 (1989 - £3,590,000) is dealt with in the accounts of the holding company.

8. EXTRAORDINARY ITEM

	1990	1989
	£000	£000
Release of provisions for taxation and interest	<u>£3,378</u>	<u>—</u>

9. EARNINGS PER SHARE

Earnings per share is calculated on earnings, after taxation and minority interests, of £13,009,000 (1989 - £20,617,000) and 16,295,357 shares in issue at 31st March 1990 (1989 - 16,295,357).

Notes to the Accounts (continued)

10. TANGIBLE ASSETS—INVESTMENT PROPERTIES

	Freehold	Long Leasehold	Short Leasehold	Total 1990	Total 1989
	£000	£000	£000	£000	£000
At Valuation 1st April 1989	55,020	6,483	13,359	184,862	162,540
Reclassifications	150	(150)	—	—	—
Net transfers from trading stock	5,297	—	—	5,297	—
Additions	725	—	—	725	15,401
Disposals	(2,051)	(95)	(1,100)	(3,246)	(10,127)
Revaluation	17,840	(68)	951	18,723	17,048
At Valuation 31st March 1990	<u>£186,981</u>	<u>£6,170</u>	<u>£13,210</u>	<u>£206,361</u>	<u>£184,862</u>

The geographical analysis is as follows:

	1990	1989
	£000	£000
United Kingdom	199,134	184,862
United States of America	7,227	—
	<u>£206,361</u>	<u>£184,862</u>

The historic cost of investment properties is £63,512,000 (1989 – £56,020,000).

A professional revaluation of all the Group's United Kingdom investment properties was carried out at 31st March 1990 by Keith Cardale Groves, Surveyors and Valuers. The revaluation figures are based on open market values in accordance with RICS Guidance Notes. (See report on page 22.)

The Group's United States investment property has been valued by the Directors.

11. INVESTMENTS HELD AS FIXED ASSETS

	1990	1989
	£000	£000
Interest in syndicates holding industrial buildings	617	617
Collateral endowment insurance policies at cost (see note below)	368	354
Investment in subsidiaries not consolidated	—	146
Amounts owed by subsidiaries not consolidated	—	243
	<u>£985</u>	<u>£1,360</u>

Note:

Surrender values – £462,000 (1989 – £439,000).

12. PROPERTIES HELD FOR TRADING

	U.K. £000	U.S.A. £000	1990 Total £000	U.K. £000	U.S.A. £000	1989 Total £000
At the lower of cost and net realisable value:						
Completed properties	28,921	20,080	49,001	22,439	21,351	43,790
Developments	3	—	3	3	—	3
	<u>£28,924</u>	<u>£20,080</u>	<u>£49,004</u>	<u>£22,442</u>	<u>£21,351</u>	<u>£43,793</u>

£5,044,000 (1989 – £2,561,000) of the properties held for trading in the U.S.A. are held through shares in Co-operative Corporations. In previous years these were included as current asset investments.

Notes to the Accounts (continued)

13. DEBTORS

	The Group		The Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Rents and service charges	8,670	7,030	—	—
Other debtors and prepayments	6,019	3,856	53	48
Taxation recoverable	10	11	2	2
Interest receivable	2	60	—	—
Mortgages granted repayable within one year	1,278	—	—	—
Mortgages granted repayable after one year	1,204	118	—	—
	<u>£17,183</u>	<u>£11,075</u>	<u>£55</u>	<u>£50</u>

14. INVESTMENTS HELD AS CURRENT ASSETS

	1990	1989
	£000	£000
Investments in U.S.A. partnerships (see note below)	1,269	1,068
Mortgages granted	21	21
Listed securities at the lower of cost and net realisable value (Market value £224,000 (1989 - £243,000))	130	126
	<u>£1,420</u>	<u>£1,215</u>
	1990	1989
	£000	£000
Note: Net Assets of U.S.A. partnerships comprise:		
Shares in Co-operative Corporations	2,471	2,605
Mortgages granted	1,952	1,817
Cash and other assets	565	451
	<u>4,988</u>	<u>4,873</u>
Less: Creditors repayable within one year	(137)	(131)
Creditors repayable after one year and provisions	(3,253)	(3,185)
	<u>£1,598</u>	<u>£1,557</u>
Group share of net assets including premium on acquisition	<u>£1,269</u>	<u>£1,068</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Mortgage advances and debenture stocks	380	265	246	246
Bank loans and overdrafts (see note below)	6,328	3,880	5,217	3,273
Rents and service charges charged in advance	5,493	5,034	—	—
Other creditors and accruals	6,535	10,545	1,395	1,294
Taxation	12,605	20,795	1,353	1,362
Proposed dividend	2,444	2,281	2,444	2,281
	<u>£33,785</u>	<u>£42,800</u>	<u>£10,655</u>	<u>£8,456</u>

Note: Bank loans and overdrafts of £4,494,000 (1989 - £330,000) are secured on certain of the Group's properties.

Notes to the Accounts (continued)

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Debentures	2,700	2,700	—	—
Unsecured Loan Stocks	3,090	3,109	—	—
Mortgage advances	24,847	18,733	4,139	2,129
Bank Loans	—	10	—	10
Amounts due to Subsidiaries	—	—	387	4,774
	<u>£30,637</u>	<u>£24,552</u>	<u>£4,526</u>	<u>£6,913</u>

Analysis of creditors falling due after more than one year

	Interest Rate	The Group		The Company	
		1990	1989	1990	1989
		£000	£000	£000	£000
Amounts repayable after 1st April 1995					
Unsecured Loan Stock 2002-07	8¼%	1,971	1,990	—	—
Unsecured Loan Stock 1991-96	7¾%	1,119	1,119	—	—
Instalment Mortgages 1990-2001	7%-12½%	15,777	11,401	3,065	1,055
Debenture Stocks 1990-1997	6½%-8¼%	2,200	2,200	—	—
Amounts due to subsidiaries		—	—	387	4,774
		<u>21,067</u>	<u>16,710</u>	<u>3,452</u>	<u>5,829</u>

Amounts repayable between 1st April 1992 and 31st March 1995

	Interest Rate	1990	1989	1990	1989
		£000	£000	£000	£000
Instalment Mortgages	7%-13¼%	1,769	6,432	648	848
Debenture Stock 1988-1993	8¼%	500	500	—	—
		<u>2,269</u>	<u>6,932</u>	<u>648</u>	<u>848</u>

Amounts repayable between 1st April 1991 and 31st March 1992

	Interest Rate	1990	1989	1990	1989
		£000	£000	£000	£000
Instalment Mortgages	7%-11%	7,301	900	426	226
Bank Loans	variable	—	10	—	10
		<u>7,301</u>	<u>910</u>	<u>426</u>	<u>236</u>

Total amount of Long Term Loans

		<u>£30,637</u>	<u>£24,552</u>	<u>£4,526</u>	<u>£6,913</u>
Amount of Long Term Loans secured (a)		<u>£27,547</u>	<u>£21,443</u>	<u>£4,139</u>	<u>£2,139</u>

Amounts repayable before 31st March 1991 included in current liabilities (see note 15)

	Interest Rate	1990	1989	1990	1989
		£000	£000	£000	£000
Instalment Mortgages	7%-11%	380	265	246	246
Bank Loans and Overdrafts	variable	6,328	3,880	5,217	3,273
		<u>£6,708</u>	<u>£4,145</u>	<u>£5,463</u>	<u>£3,519</u>

(a) These loans are secured on some of the Group's properties.

Notes to the Accounts (continued)

17. PROVISION FOR LIABILITIES AND CHARGES

	The Group £000
U.S.A. deferred taxation:	
Balance at 1st April 1989	736
Foreign exchange movement	12
Provided during the year	109
Balance at 31st March 1990	<u>£857</u>

18. SHARE CAPITAL

	Number	1990 £000	1989 £000
Authorised:			
Ordinary shares of 25 pence per share	18,722,596	<u>£4,681</u>	<u>£4,681</u>
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	<u>16,295,357</u>	<u>£4,074</u>	<u>£4,074</u>

19. RESERVES

	The Group £000 £000		The Company £000 £000	
Share Premium Account:				
At 1st April 1989 and 31st March 1990		<u>£555</u>		<u>£555</u>
Revaluation Reserve:				
At 1st April 1989	123,407		140,963	
Transfer to Profit and Loss Account of surplus on prior year revaluations of investment properties now realised (note 2)	(3,034)		—	
Movement on reclassification of an investment property as a trading property	(1,765)		—	
Transfer to other non-distributable reserves	(201)		—	
Fixed asset revaluation	<u>18,642</u>		—	
		<u>£137,049</u>		<u>£140,963</u>
Other Non Distributable Reserves:				
At 1st April 1989	4,139			—
Foreign exchange movements	127			
Transfer from revaluation reserve	201			
Other transfers from profit and loss account	<u>199</u>			
		<u>£4,666</u>		<u>£ —</u>
Profit and Loss Account:				
At 1st April 1989	58,233		23	
Retained Profit for year	<u>12,440</u>		<u>2,002</u>	
		<u>£70,673</u>		<u>£2,025</u>

Notes to the Accounts (continued)

20. INVESTMENT IN SUBSIDIARIES

	1990	1989
<i>(a) The Company</i>	£000	£000
Shares at cost (see (b) below)	1,292	1,438
Surplus on revaluation—net asset value at 31st March 1987 (note 19)	<u>140,963</u>	<u>140,963</u>
	142,255	142,401
Amounts due from subsidiaries	<u>19,555</u>	<u>17,677</u>
	<u><u>£161,810</u></u>	<u><u>£160,078</u></u>

(b) The Group—Subsidiaries not consolidated

There have been excluded from the Consolidated Accounts the results of certain subsidiary companies acquired at a cost of £146,000 and valued by the Directors at £nil (1989 - £146,000). The combined profits since acquisition attributable to the Company as indicated by their accounts amounted to £8,000 (1989 - £8,000) and their aggregate liabilities at 31st March 1990 were substantially in excess of their assets. In the Directors' opinion, the liabilities of these companies could not fall upon other Group companies and therefore the consolidation of the above-mentioned accounts would have been misleading.

21. DIRECTORS' INTERESTS IN CONTRACTS

Day-to-day management of the Group's properties in the United Kingdom is partly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies and are also interested in the share capital of Highdorn Co. Limited.

Mr B S E Freshwater and Mr D Davis are also Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company.

The amounts paid for the provision of management services charged for at normal commercial rates were:

Highdorn Co. Ltd		Freshwater Property Management Ltd	
1990	1989	1990	1989
£000	£000	£000	£000
<u>£1,537</u>	<u>£1,577</u>	<u>£768</u>	<u>£736</u>

22. CONTINGENT LIABILITIES

The Company has guaranteed bank and mortgage indebtedness and unsecured loan stock of certain subsidiaries which at 31st March 1990 amounted to £4.9m (1989 - £3.0m).

The Group is from time to time party to legal actions arising in the ordinary course of business. The Directors are advised that there are no actions current which could have a material adverse effect on the financial position of the Group.

Notes to the Accounts (continued)

23. PRINCIPAL SUBSIDIARY COMPANIES

Except where otherwise indicated the following are wholly owned property companies. All subsidiaries operate in their country of incorporation.

Incorporated in England

Astral Estates (London) Limited
Bampton Holdings Limited
Bampton (Redbridge) Limited (75%)
Brickfield Properties Limited
City and Country Properties Limited
City & Country Properties
(Birmingham) Limited
City and Country Properties
(Camberley) Limited
City and Country Properties
(Midlands) Limited
Chilon Investment Co. Limited
Daejan Developments Limited
Daejan Estates Limited
Daejan Investments Limited
Daejan Investments (Grove Hall) Limited
Daejan Investments (Harrow) Limited
Daejan Investments (Park) Limited
Daejan Properties Limited
Daejan Securities Limited — *Share Dealer*
Hampstead Way Investments Limited
Limebridge Co. Limited
Pegasus Investment Company Limited
Rapid 7533 Limited
Rosebel Holdings Limited
Seaglen Investments Limited
St. Leonards Properties Limited
The Bampton Property Group Limited
The Cromlech Property Co. Limited
The Halliard Property Co. Limited

Incorporated in the U.S.A.

Daejan Holdings (U.S.) Inc.
Daejan (N.Y.) Limited
Daejan Enterprises Inc.
Daejan (Massachusetts) Inc.

*Report of the Valuers
to the Directors of Daejan Holdings PLC*

As instructed we have valued the investment properties owned by your Group in the United Kingdom as at 31st March 1990 for the purpose of your Annual Accounts.

Your instructions to us are to value each property annually. Due to the large number of properties and in view of the fact that the properties are all known to us, it is considered uneconomic to inspect each property every year. However, every property is physically inspected at least once in each triennial cycle.

The valuation is based upon the information supplied by you as to tenure and occupancy and other relevant information which we have assumed to be complete and correct and that there are no undisclosed matters that would affect our opinion.

We have not seen Planning Consents and have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents and is on the basis that there are no outstanding Statutory Notices.

We are not instructed to carry out structural surveys of the properties nor to test the services but we have reflected in our valuations, where appropriate, any defects, items of disrepair or outstanding works of alteration or improvement of which you have advised us. Our valuations assume that the buildings contain no deleterious materials.

The properties have been valued individually, on the basis of open market value in accordance with the Guidance Notes issued by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. No allowance has been made for expenses of realisation or for any taxation which might arise.

Having regard to the foregoing, we are of the opinion that the open market values as at 31st March 1990 totalled £199,134,000 (One Hundred and Ninety-Nine Million One Hundred and Thirty Four Thousand Pounds). In accordance with our standard practice, we must state that our valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Kelth Cardale Groves
22 Grosvenor Square
London W1X 9LF
4th July 1990

Five Year Record

	1986	1987	1988	1989	1990
	£000	£000	£000	£000	£000
Net Rental Income	8,512	10,058	10,686	12,173	14,340
Surplus on Sale of Properties	10,289	12,674	15,295	24,441	9,548
Other Income	799	625	540	1,052	272
	<u>19,600</u>	<u>23,357</u>	<u>26,521</u>	<u>37,666</u>	<u>24,160</u>
Group Profit before Taxation	14,961	18,332	21,973	32,516	19,359
Taxation	6,974	5,858	7,590	11,886	6,319
Minority Interests	11	26	21	13	31
Transfer to Reserve	28	632	470	—	199
Available Surplus	<u>7,970</u>	<u>11,816</u>	<u>13,892</u>	<u>20,617</u>	<u>16,188</u>
Earnings: p. per share	49.08	76.38	88.13	126.52	79.83
Dividends: p. per share	<u>14.00</u>	<u>17.00</u>	<u>19.00</u>	<u>22.00</u>	<u>23.00</u>
Gross Assets	159,825	214,405	232,997	258,918	282,813
Net Assets	90,903	145,614	162,872	190,408	217,017
Net Assets: p. per share	<u>5.58</u>	<u>8.94</u>	<u>10.00</u>	<u>11.68</u>	<u>13.32</u>
Represented by:					
Share Capital	4,074	4,074	4,074	4,074	4,074
Reserves and Retained Profit	<u>86,829</u>	<u>141,540</u>	<u>158,798</u>	<u>186,334</u>	<u>212,943</u>
Shareholders' Funds	<u>£90,903</u>	<u>£145,614</u>	<u>£162,872</u>	<u>£190,408</u>	<u>£217,017</u>