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Capital and Regional Properties plc

Report and Accounts for the year ended 25th December 1989

Contents

Directors and Advisers

Directors

Martin Barber Chairman
Xavier Pullen Managing Director
Roger Michael Bowland FCA Financial Director
Martin Harold [illegible] FCA (Non-Executive)
David Dennis Martin Jenkins FCA FCT (Non-Executive)

USA Officers

John Sanford Gates Jnr. President
Mark Lee Hoffman CPA Vice President Finance
Jeffrey Victor Brennecke CPM Vice President Property Management

Company Secretary and Registered Office

Lynda Sharon Coral ACA
22 Grosvenor Gardens London SW1W 0DH

Corporate Financial Advisers

Baring Brothers & Co. Limited
8 Bishopsgate London EC2N 4AE

Stockbrokers

Rowe & Pitman Ltd
1 Finsbury Avenue London EC2M 2PA

Auditors

Stoy Hayward
Chartered Accountants
8 Baker Street London W1M 1DA

Legal Advisers

Binks Stern
Queen's House 55/56 Lincoln's Inn Fields London WC2A 3LJ

Coffield Ungaretti Harris & Slavin
3500 Three First National Plaza Chicago Illinois 60602 USA

Mackay Murray & Spens
151 St Vincent Street Glasgow G2 5NJ

Bankers

Barclays Bank Plc
Barclays Business Centre Bedford Branch
111 High Street Bedford MK40 1NJ

Charterhouse Bank Limited
1 Paternoster Row St Paul's London EC4M 7DH

The Exchange National Bank of Chicago
La Salle and Monroe Streets Chicago Illinois 60603 USA

Hill Samuel Bank Limited
20 Fleet Street London EC4Y 1AA

3i plc
Cambridge Science Park Milton Road Cambridge CB4 [illegible]

Registrars and Transfer Office

[illegible] Registrars Limited
[illegible] House [illegible] Drive Witham Essex CM8 [illegible]

Chairman's Statement

1989 has been another very good year for the Group with net assets per share rising by more than 22 per cent from 165p per share to 202p. In addition, the Group held trading stock carried in the balance sheet at cost which would add, on current valuation, almost 3p per share to the net asset value.

On 18th January 1990 the outstanding 50 per cent interest in Capital and Regional (Victoria) Limited was acquired for £2.05 million. Since the joint venture company is now a wholly owned subsidiary, included within the accounts in Note 30 is a pro forma balance sheet showing the effect of this acquisition. You will see that as a result net assets per share become 206p, before trading stock revaluation.

RESULTS

Net assets have increased from £19.51 million to £24.40 million (£24.94 million if the effect of the acquisition of Capital and Regional (Victoria) Limited is included).

At the year end approximately 65 per cent of your Company's net assets were in the UK and 35 per cent in the USA.

During the year the rate of growth of the UK net assets was approximately 27 per cent and the rate of growth of the USA net assets was almost 21 per cent.

The operating profit of £671,444, which I emphasise is not your Company's main focus, was satisfactory, particularly in view of the substantial increases in interest rates during the year. Additionally, investment property sales produced profits of £3.53 million.

DIVIDEND

Your Board has resolved to pay an increased final dividend of 0.6p per share (1988: 0.3p) making a total for the year of 0.9p (1988: 0.6p). This reflects your directors' confidence in the future.

REVIEW OF ACTIVITIES

UK OPERATIONS

In the UK, due to high interest rates and a general sentiment against property, the market is unsettled. The actions taken by your Board during 1988 to change the profile of the portfolio from mature properties to highly reversionary properties are reflected in the growth of 27 per cent in net asset value. This has been achieved in [illegible] of an adverse shift in valuation yields which took place at the end of the year.

[illegible] refurbishment of St James's House, Manchester was completed during the year and has proved to be most [illegible]. Five floors have been let to first class tenants at rents well above budget. The rolling refurbishment [illegible] has continued on Baltic Chambers in Glasgow with highly satisfactory results.

During [illegible] year rent reviews have taken place throughout the portfolio resulting in significant increases in rents per square foot being established. The properties in Victoria and Scotland were particularly notable in this respect.

USA OPERATIONS

In the USA, markets have been difficult for some time, but despite this your Company has been consistently successful.

The refurbishment works on the retail property in Diversey Avenue, Chicago have been completed and the tenant has taken possession.

Chairman's Statement, continued

Leasing of the East Chicago Industrial Centre during the second half of 1989 was slower than expected but tenant enquiries increased significantly during November and December. Further leases are in the course of negotiation and are expected to be exchanged in the near future. The Centre is currently about 55 per cent leased and is profitable after all costs.

In the late autumn a tenant vacated just over 100,000 square feet at the Great Lakes Industrial Centre, Gary, Indiana. I am pleased to report that two thirds of the space has already been re-let to provide virtually the same income. There is serious interest in the remaining space. The property was refinanced during the year with a mortgage from Confederation Life Insurance Company of Canada. The proceeds exceeded costs by about $5 million. This provides our USA subsidiary with additional capital for new ventures.

OUTLOOK

Despite their sophistications, the UK and USA property markets are imperfect, providing investors with opportunities both in times of market strength and weakness. In the cyclical nature of property markets it is common for investments in sectors or locations that were previously in demand from investors to be neglected in favour of others more topical, and this phenomenon provides opportunities to purchase at attractive prices and receive the benefits of performance when the sector location returns to favour. As a result of the actions taken in the UK by management during 1988 and the success and refinancing of the Gary project, your Group is in a strong position to take advantage of these opportunities as and when they arise.

In view of current market sentiment, I should stress that current rental income from the Group's properties covers both net interest costs and management overhead. Strong liquidity, non-utilised credit lines and joint venture opportunities provide the means for the Company to make suitable acquisitions. The Group's current portfolio provides opportunity for significant growth in income for the next two to three years and management is keen to add selectively to this portfolio to provide a platform for continued improvement throughout the 1990's.

APPOINTMENT OF DIRECTOR

Lynda Coral, who is currently Group Financial Controller and Company Secretary, will be invited to join the Board immediately following the Annual General Meeting.

EMPLOYEES

I would like to thank all of the Company's employees for their efforts during the year which have helped achieve such an impressive result.

Martin Barber

29th March 1990

Notice of Annual General Meeting

Notice is hereby given that the eleventh Annual General Meeting of the Company will be held at the Hyde Park Hotel, 66 Knightsbridge, London SW1Y 7LA in the King Gustav Adolf Suite on Thursday 26th April 1990 at 12 noon, for the following purposes

Ordinary Business

1. To consider and, if thought fit, adopt the accounts for the year ended 25th December 1989 and the reports of the directors and auditors thereon
2. To declare a final dividend
3. To re-elect M. Barber as a director of the Company
4. To re-elect D. D. Martin Jenkins as a director of the Company
5. To re-appoint Stoy Hayward as auditors for the period prescribed by Section [illegible] of the Companies Act 1985 and to authorise the directors to determine their remuneration for the ensuing year

Special Business

6. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution –

   In compliance with Section 166 of the Companies Act 1985 the Company is hereby generally and unconditionally authorised to make market purchases of its own shares provided always that

   (a) this authority is limited to a maximum number of 1,750,000 Ordinary 10p shares

   (b) the maximum price which may be paid for the shares shall not exceed 105 per cent of the average of the prices at which business was done in the Ordinary 10p shares of the Company during the period of ten business days immediately preceding the day on which the shares are contracted to be purchased, or if no such business was done during that period, 105 per cent of the price at which business was last done in the Ordinary 10p shares of the Company prior to the day on which the shares are contracted to be purchased, in either case as derived from the Daily Official List of The Stock Exchange and in both cases exclusive of expenses

   (c) the minimum price which may be paid for the shares shall not be less than 10p

   This authority shall expire at the Company's Annual General Meeting in 1991 or 15 months after the date on which this resolution is passed (whichever period be the shorter)

7. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution

   That, the adoption of the Approved Executive Share Option Scheme and of the Unapproved Executive Share Option Scheme having been authorised at the Extraordinary General Meeting of the Company held on 12th May 1988 by ordinary resolutions instead of special resolutions as required by the Company's Articles of Association, the adoption of such Schemes and the grant of options made thereunder be and they are hereby approved, ratified and confirmed

8. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution

   That for the avoidance of doubt for the purposes of Section 80 of the Companies Act 1985 and Regulation 7 of the Company's Articles of Association, the directors be and they are hereby deemed to have been generally and unconditionally authorised between the Company's Annual General Meetings in 1989 and 1990 to exercise the Company's powers to grant options pursuant to the Company's Approved and Unapproved Executive Share Option Schemes up to an aggregate amount in nominal value of [illegible]

9. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution

   That

   (a) the amendments to the Rules of the Approved Executive Share Option Scheme incorporated in the draft amended Rules of that Scheme produced to this meeting and for the purposes of identification initialled by the Chairman be and they are hereby approved subject to such further changes as may be made by the directors and are necessary or expedient to obtain the approval of the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988

   (b) the amendments to the Rules of the Unapproved Executive Share Option Scheme incorporated in the draft amended Rules of that Scheme produced to this meeting and for the purposes of identification initialled by the Chairman be and they are hereby approved

Notice of Annual General Meeting, continued

10. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

That

(a) for the purposes of Section 80 of the Companies Act 1985 and Regulation 7 of the Company's Articles of Association the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company at the date of the passing of this resolution during the period from the date of the passing of this resolution up to and including the 25th April 1995 on which date this authority shall expire, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted in accordance with this resolution after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

(b) with the exception of the authority and power granted by Regulation 7 of the Company's Articles of Association the authority and power granted by paragraph (a) of this resolution shall be in substitution for all authorities and powers previously granted.

11. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:–

That

(a) the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash in accordance with any authority conferred on them by this or any previous meeting of the members of the Company to allot relevant securities (as defined in Section 94 of that Act) as if Section 89(1) of that Act did not apply to the allotment and references in this resolution to the allotment of equity securities include references to the grant of a right to subscribe for, or to convert any securities into, relevant shares (as so defined) in the Company provided that the power conferred by this resolution shall be limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders (notwithstanding that by reason of such exclusion as the directors may deem necessary having regard to legal or procedural requirements in any overseas territory or in connection with fractional entitlements or otherwise howsoever the equity securities to be issued are not offered to all of such holders in proportion to the number of shares held by each of them); and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) of this resolution) of equity securities up to an aggregate amount in nominal value of ordinary share capital in the Company of [illegible].

(b) this power, unless renewed, shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1991 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted in accordance with paragraph (a) of this resolution after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

J. S. Coral

Secretary

29th March 1990

Notes

[illegible]

Directors' Report

for the year ended 25th December 1989

The directors present their Report together with the audited financial statements for the year ended 25th December 1989.

Results and dividends

The consolidated profit and loss account [illegible] is set out on page 11 and shows a profit on ordinary activities after taxation of £3,848,135 and an operating profit before taxation, exceptional costs and profit on sale of investment properties of £671,444.

The directors recommend the payment of a final dividend of 0.6p per share on 25th May 1990 to members on the register at the close of business on 27th April 1990.

Principal activities, trading review and future developments

The principal activity of the Group is that of property investment and management.

A review of the activities and prospects of the Group is given in the Chairman's Statement on pages 4 and 5.

Fixed assets

Significant changes in fixed assets are shown in notes 16 and 17 to the accounts.

Directors

The directors of the Company are as follows:

M Barber
X Pullen
R M Bowland
M H Gruselle
D D Martin Jenkins

M I Judelson retired as a director on 30th September 1989.

In accordance with the Articles of Association, M Barber and D D Martin Jenkins retire by rotation and, being eligible, offer themselves for re-election.

Non-executive directors

Martin Gruselle, aged 52, is a chartered accountant who was formerly a director of Baring Brothers & Co. Limited and has wide experience in corporate finance. He is a non-executive director of Admiral Computing Group plc and secretary to the trustees of an educational trust.

David Martin Jenkins, aged 48, is a chartered accountant and a director of National Home Loans Holdings plc, The National Mortgage Bank plc and Primesight Limited. He was formerly group finance director of Ellerman Lines Limited and a director of several property and leisure related companies.

Directors and their interests

The directors and, where relevant, their immediate families are beneficially interested in the Ordinary share capital of the Company as follows:

	Ordinary shares of 10p each 25th December			
	1989		1988	
	Shares	Options	Shares	Options
M Barber	2,701,112	75,000	[illegible]	75,000
X Pullen	[illegible]	75,000	[illegible]	75,000
R M Bowland	[illegible]	100,000	[illegible]	100,000
M H Gruselle	2,500			
D D Martin Jenkins	[illegible]		[illegible]	

There have been no changes in the directors' interests since 25th December 1989.

Substantial shareholdings

In addition to the interests of the directors, the Company has been notified at 20th March 1990 of holdings of 5 per cent or more of the issued share capital under the control of:

	Shares	%
Scottish Amicable Investment Managers	[illegible]	[illegible]
Scottish Mutual Assurance Group	[illegible]	[illegible]

Directors' Report

for the year ended 25th December 1989, continued

Special business of the Annual General Meeting

Authority to purchase own shares

At the 1989 Annual General Meeting the Company was granted authority to make purchases in the market of its own shares subject to specified limits. Under Resolution number 6 the Company is seeking renewal of that authority which will continue until the conclusion of the next Annual General Meeting or for 18 months whichever is the earlier.

Share Option Schemes

At the Extraordinary General Meeting held on 12th May 1988 the directors were authorised by ordinary resolution to adopt two Share Option Schemes known as the Approved and the Unapproved Schemes. However under the Company's Articles of Association such approval should have been given by special resolution and under Resolution number 7 the directors are seeking the ratification of shareholders by special resolution to the adoption of the Schemes and to the grant of options made under each Scheme prior to the 1990 Annual General Meeting. In accordance with the rules of the Schemes the directors may invite applications to apply for options during a restricted period prior to the 1990 Annual General Meeting and not thereafter until publication of the Interim Results for 1990.

The options granted so far and those intended to be granted prior to the 1990 Annual General Meeting are as follows:

The Approved Scheme

The following options were granted on 10th June 1988 at a price of 102p per share:

R M Boyland	75 000
M J Jadelson	50 000
A Boyland	25 000

The directors propose to grant the following options prior to the 1990 Annual General Meeting. The grantees understand that the grant of such options will not be valid unless Resolution number 7 is duly passed:

R M Boyland	35 000
J S Coral	70 000

At the date of this report the option price is not known but will be determined in accordance with the terms of the Scheme as the price at which the last business is done in the shares before the employees are invited to apply for options.

The Unapproved Scheme

The following options were granted on 10th June 1988 at a price of 102p per share:

M Barber	75 000
S Pullen	75 000
J S Gates Jnr	40 000
M J Hoffman	30 000
J A Brennecke	30 000

The directors propose to grant the following options prior to the 1990 Annual General Meeting. The grantees understand that the grant of such options will not be valid unless Resolution number 7 is duly passed:

M Barber	35 000
S Pullen	35 000

At the date of this report the option price is not known but will be determined in accordance with the terms of the Scheme as the price at which the last business is done in the shares before the employees are invited to apply for options.

Authority for grant of options

At the Extraordinary General Meeting of the Company held on 12th May 1988 the directors were granted express authority to grant options under the Share Option Schemes until the 1989 Annual General Meeting. That authority was not expressly renewed at the 1989 Annual General Meeting but earlier authorities were still in existence. For the avoidance of any doubt under Resolution number 8 which is proposed as a special resolution the directors seek retrospective authority of the shareholders for the exercise of the Company's powers to grant options under the two Schemes between the 1989 and 1990 Annual General Meetings.

Directors' Report

for the year ended 25th December 1989, continued

Amendments to the Share Option Schemes
At present the rules of the Schemes provide that if a participant exercises an option under either the Approved or the Unapproved Scheme he may not exercise any further options under either Scheme within the period of three years following that exercise.

The directors consider that these provisions are too restrictive and under Resolution number 9 they seek the approval of shareholders to change the rules of the Schemes. The changes would enable future option grants to be capable of exercise within three years of a previous exercise under either the Approved Scheme or the Unapproved Scheme.

At present the rules of the Schemes provide in each case that the total number of shares which may be issued under the Scheme, when aggregated with those under option under any share option scheme, share incentive scheme or profit sharing scheme (other than schemes linked to an SAYE Contract) shall not exceed the lesser of 5 per cent of the issued share capital of the Company from time to time and 591,250 shares.

The directors consider that 591,250 shares is too restrictive and wish to seek the approval of shareholders to increase that number to 750,000 shares.

This numerical limit is currently in excess of 5 per cent of the current issued share capital of the Company and therefore the number of options which may be granted under the Schemes will be restricted to 601,085 shares, being 5 per cent of the current issued share capital.

Authority to allot securities
Under Resolution number 10 the directors seek a fresh authority to exercise the Company's powers to allot securities for the maximum period permitted by law, namely 5 years. This authority relates to the Company's authorised but unissued share capital.

Pre-emption rights
Under Resolution number 11, which is proposed as a special resolution, the directors seek the authority of the shareholders to allot equity securities (as defined in Section 94 of the Companies Act 1985) as if the pre-emption rights contained in Section 89(1) of that Act did not apply. The directors are seeking the approval of shareholders under this resolution in respect of 5 per cent only of the present issued share capital and this authority will expire at the 1991 Annual General Meeting unless renewed.

Charitable donations
During the year the Group contributed £1,532 to charities.

Close company status
The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

Post balance sheet events
The impact on the Consolidated Balance Sheet of the acquisition of the outstanding 50 per cent interest in Capital and Regional (Victoria) Limited is set out in note 30 to the accounts.

Auditors
Stoy Hayward have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

I. S. Coral

Secretary

29th March 1990

Consolidated Profit and Loss Account

for the year ended 25th December 1989

	Notes	1989	1988
		£	£
Rental and management fee income	2	3,570,784	2,126,981
Administrative costs	3	1,774,708	1,185,186
		1,796,076	941,795
Other income	4	416,971	769,360
Share of result of associated company		(311,557)	(527)
Interest receivable	5	675,797	990,722
		2,577,287	2,701,350
Interest payable	6	2,105,843	2,001,242
Operating profit		471,444	700,108
Profit on sale of investment properties		3,533,622	397,614
		4,005,066	1,097,722
Exceptional costs	7	342,819	-
Profit on ordinary activities before taxation	8	3,662,247	1,097,722
Taxation	11	24,112	(42,878)
Profit on ordinary activities after taxation		3,638,135	1,140,600
Minority interests	12	323,867	104,743
Profit for the year attributable to shareholders of the Company	13	3,314,268	1,035,857
Dividends paid and payable	14	108,843	72,025
Retained profit for the year		3,205,425	963,832
Earnings per share	15	29.23p	8.76p

The notes on pages 15 to 28 form part of these accounts

Consolidated Balance Sheet

as at 25th December 1989

	Notes	1989 £	1989 £	1988 £	1988 £
Fixed assets					
Tangible assets	16		48,173,193		43,190,838
Investments	17		3,016,765		2,064,971
			51,189,958		45,255,809
Current assets					
Properties held for disposal	18	1,208,642		1,177,778	
Debtors	19	1,111,116		734,930	
Cash at bank		3,210,599		2,549,013	
		5,530,357		4,461,721	
Creditors					
Amounts falling due within one year	20	1,792,725		2,533,169	
Net current assets			3,737,632		1,928,552
Total assets less current liabilities			54,927,590		47,184,361
Creditors					
Amounts falling due after more than one year	21		25,009,287		22,347,512
			29,918,303		24,836,849
Minority interests	22		5,521,678		5,294,575
Net assets			24,396,625		19,542,274
Capital and reserves					
Called up share capital	23		1,209,371		1,182,500
Share premium account	24		96,146		96,446
Revaluation reserve	24		18,534,631		17,155,550
Other reserves	24		678,240		705,111
Profit and loss account	24		3,878,237		402,667
Shareholders' funds			24,396,625		19,542,274
Net assets per share	25		201.73p		165.26p

Directors

M Barber

R M Boyland

29th March 1990

The notes on pages 15 to 28 form part of these accounts

Balance Sheet

as at 25th December 1989

	Notes	1989 £	1989 £	1988 £	1988 £
Fixed assets					
Investments	17		8,428,956		8,428,856
Current assets					
Debtors	19	12,302,432		3,004,419	
Cash at bank		518,063		1,508,336	
		12,820,495		4,512,755	
Creditors					
Amounts falling due within one year	20	11,785,766		7,438,277	
Net current assets/(liabilities)			1,034,729		(2,925,522)
Total assets less current liabilities			9,463,685		5,503,334
Creditors					
Amounts falling due after more than one year	21		—		1,000,000
Net assets			9,463,685		4,503,334
Capital and reserves					
Called up share capital	23		1,209,371		1,182,500
Share premium account	24		148,468		148,768
Other reserves	24		591,153		618,024
Profit and loss account	24		7,514,693		2,554,042
Shareholders' funds			9,463,685		4,503,334

Directors
M Barber
R M Boyland

29th March 1990

The notes on pages 15 to 28 form part of these accounts

Statement of Source and Application of Funds

for the year ended 25th December 1989

	1989		1988	
	£	£	£	£
Profit before taxation and minority interests		3,862,247		1,097,722
Adjustments for items not involving the movement of funds:				
Depreciation	98,071		85,802	
Profit on sale of investment properties and other fixed assets	(3,532,657)		(777,930)	
Trading profit on property sales	(393,519)		(756,517)	
Share of results of associated company	111,557		527	
		(3,716,548)		(1,448,118)
Funds generated from/(consumed by) revenue operations		145,699		(350,396)
Funds received for/(expended on) assets				
Sale of fixed assets	4,466,751		1,463,696	
Purchase of fixed assets	(3,348,722)		(2,464,902)	
Purchase of investments	(288,351)		—	
		829,678		(1,001,206)
Sale of properties held for disposal	393,519		3,217,230	
Purchase of property for disposal	—		(925,713)	
		393,519		2,291,517
Other source of funds		1,368,896		939,915
Bank loans	15,154,072		7,822,980	
Net proceeds from issue of shares	—		271,736	
Capital paid in by minority shareholders	2,457		58,362	
		15,156,529		8,153,078
Total funds generated		16,525,425		9,092,993
Application of funds				
Bank loans repaid	13,450,954		4,927,978	
Tax paid	70,814		12,473	
Distributions to minority shareholders	604,861		—	
Dividends paid	84,656		47,300	
Share issue expenses	300		—	
Investment in associated company	—		50	
Acquisition of subsidiaries	—		5,101,468	
		14,211,585		10,089,169
		2,313,840		(996,176)
Increase/(decrease) in working capital				
Debtors and prepayments	440,050		(402,508)	
Creditors and accruals	(190,740)		21,576	
Exchange differences	(115,835)		(2,421)	
Attributable to minority interests	339,944		145,412	
		473,419		(237,941)
Movement in net liquid funds				
Increase in bank and cash balances	754,625		247,296	
Decrease/(increase) in bank overdraft	1,085,796		(1,005,531)	
		1,840,421		(758,235)
		2,313,840		(996,176)

The notes on pages 15 to 28 form part of these accounts

Notes to the Accounts
for the year ended 25th December 1989

1. **Accounting policies**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties, using the following principal accounting policies.

Basis of consolidation

The consolidated accounts incorporate the accounts of Capital and Regional Properties plc and all its UK subsidiary companies for the year ended 25th December 1989 and the accounts of its USA subsidiaries for the year ended 31st December 1989. Where necessary the accounts of subsidiaries are adjusted to conform with the Group's accounting policies.

Subsidiaries have been consolidated under the acquisition method of accounting and the results of companies acquired during the year included from the date of acquisition. The difference between the cost of acquisition and the value of net assets acquired is dealt with through reserves.

Interests in American limited partnerships, as shown in note 31, are incorporated as follows:

— the results are consolidated by including the Group's share of the profit or loss

— the assets and liabilities are consolidated in full and the interests of the limited partners in those net assets are included in minority interests (see note 22).

Where there are different interests of the minorities in the results and net assets of the limited partnerships, an equalisation adjustment is made through reserves (see note 24).

Associated companies

The Group's share of results of associated companies is included in the consolidated profit and loss account. The investment in associated companies included in the consolidated balance sheet represents the Group's share of net assets at the balance sheet date.

Foreign currency

Balances in foreign subsidiaries are translated into sterling at the rate of exchange ruling at the balance sheet date.

Exchange differences which arise from the translation of the opening share capital and reserves of foreign subsidiaries are taken to reserves.

Foreign currency transactions of UK companies are translated at the rates ruling when they occurred. Their foreign currency monetary assets and liabilities are translated at the rate ruling at the balance sheet. Any differences are taken to the profit and loss account.

Depreciation

Fixed assets are depreciated as follows:

Short term leasehold property and improvements	—	Over length of lease
Fixtures and fittings	—	20 per cent per annum on cost
Motor vehicles	—	25 per cent per annum on cost

Leasehold property and improvements having an unexpired lease term of more than twenty years are included in the financial statements at valuation and are not depreciated. It is the Group's policy is to maintain its properties in good condition so as to prolong their useful lives.

Investment properties

Investment properties, including those under development, are included in the financial statements at valuation. The aggregate surplus or deficit is transferred to a revaluation reserve and on realisation is included in the profit and loss account.

Properties under development

Interest and directly attributable costs incurred during the period of development are capitalised. Interest is capitalised gross before deduction of related tax relief. A property ceases to be treated as being under development at the earlier of it being fully let and six months from practical completion.

Notes to the Accounts

for the year ended 25th December 1989, continued

Properties held for disposal

Properties held with the intention of disposal are valued at the lower of cost and net realisable value

Letting costs

Costs attributable to lettings are charged to the profit and loss account over the lease term

Refurbishment expenditure

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is written off as incurred.

Property transactions

Acquisitions and disposals are accounted for at the date of legal completion.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Pension costs

Pension liabilities all of which relate to defined contribution schemes, are funded by payment to pension schemes and are charged to the profit and loss account in the year in which they accrue

2. Rental and management fee income

	1989	1988
	£	£
Analysis by market:		
United Kingdom	1,604,259	1,350,427
United States of America	1,966,525	776,554
	3,570,784	2,126,981

3. Administrative costs

	1989	1988
Property operating costs net of recoveries by way of service charges	181,035	275,253
Management and office expenses	1,593,673	1,282,124
Refinancing costs	—	6,175
	1,774,708	1,563,552
Profit on sale of operational headquarters	—	(378,366)
	1,774,708	1,185,186

4. Other income

	1989	1988
Trading profit on property sales	393,519	756,517
Other income	23,452	12,843
	416,971	769,360

Notes to the Accounts

for the year ended 25th December 1989, continued

5. Interest receivable

	1989	1988
	£	£
Bank interest	183,724	112,511
Interest receivable from limited partnerships	468,343	864,289
Other interest	23,730	13,922
	675,797	990,722

Interest receivable from limited partnerships arises on loans from group companies to the partnerships and is shown net of the Group's share of the related interest cost in the accounts of the limited partnerships.

6. Interest payable

	1989	1988
Bank loans and overdraft		
Repayable within 5 years	1,845,245	2,171,881
Repayable in more than 5 years	853,698	50,955
	2,698,943	2,222,836
Capitalised during the year	(595,870)	(226,942)
	2,103,073	1,995,894
Other loans	47	—
Finance leases and hire purchase contracts	2,723	5,348
	2,105,843	2,001,242

7. Exceptional costs

	1989	1988
Costs of refinancing USA investment property	284,219	—
Ex gratia payment to director on retirement	58,600	—
	342,819	—

8. Profit on ordinary activities before taxation

This is arrived at after charging:

	1989	1988
Depreciation	98,071	85,802
Auditors' remuneration	40,981	61,597
Directors' emoluments (see note 10)	307,316	274,088
Operating lease rentals	49,444	41,441

Depreciation includes £10,902 (1988: £18,682) charged on assets held under finance leases and hire purchase contracts.

Notes to the Accounts

for the year ended 25th December 1989, continued

9. Employees

	1989	1988
	£	£
Staff costs (including directors) consist of:		
Wages and salaries	888,270	809,353
Social security costs	62,143	62,104
Other pension costs	49,195	41,614
	999,608	913,071

The average number of persons employed by the Group during the year was 48 (1988: 64). At the year end 26 (1988: 44) were engaged in direct property services and 18 (1988: 18) were employed in central management activities.

10. Directors' emoluments

	1989	1988
Directors' fees	24,000	13,500
Remuneration for management services	218,250	204,165
Social security and pension costs	65,066	56,418
	307,316	274,083
Emoluments (excluding pension contributions) of:		
Chairman	62,500	55,000

The number of other directors whose emoluments (excluding pension contributions) fell in the following ranges was:

	Number	Number
£0–£5,000	—	1
£5,001–£10,000	—	1
£10,001–£15,000	2	—
£35,001–£40,000	1	—
£45,001–£50,000	—	2
£50,001–£55,000	—	1
£55,001–£60,000	2	—

Notes to the Accounts

for the year ended 25th December 1989, continued

11. Taxation

	1989	1988
	£	£
The taxation charge/(credit) is analysed as follows:		
UK corporation tax at 35%	30,177	43,345
Overprovision in respect of previous year	(7,740)	—
USA income tax	1,675	2,222
Advance corporation tax written back	—	(9,851)
Refund in respect of the losses utilised	—	(78,594)
	24,11[illegible]	(42,878)

The tax liability for the year has been reduced due to the availability of losses, group relief, tax relief on capitalised interest and costs and the different treatment for taxation purposes of the profit on sale of investment properties and the results of USA subsidiaries.

12. Minority interests

	1989	1988
Share of profits of USA group attributable to minority shareholders	323,867	104,743

13. Profit for the year attributable to shareholders of the Company

	1989	1988
Dealt with in the accounts of the holding company	5,069,494	750,996

The Company has taken advantage of the exemption provided by Section 228 (7) Companies Act 1985 from presenting its own profit and loss account.

14. Dividends paid and payable

	1989	1988
Interim of 0·3p per share paid on 10th November 1989 (1988: 0·2p per share)	36,281	23,690
Proposed final of 0·6p per share payable on 25th May 1990 (1988: 0·4p per share)	72,562	48,375
	108,843	72,065

15. Earnings per share

Earnings per share have been calculated on a weighted average of 12,024,507 (1988: 11,825,000) Ordinary shares of 10p each in issue throughout the year and have been based on earnings of £5,514,268 (1988: £1,055,857).

Notes to the Accounts

for the year ended 25th December 1989, continued

16. Tangible assets

	Investment properties	Investment properties under development	Leasehold property and improvements	Fixtures and fittings	Motor vehicles	Total
Group	£	£	£	£	£	£
Cost or valuation						
At beginning of year	34,092,222	6,294,445	2,616,976	90,511	247,596	43,341,750
Additions	1,251,913	1,459,806	523,882	60,536	52,595	3,348,722
Disposals	(4,290,000)	—	—	(8,363)	(57,851)	(4,356,214)
Revaluations	2,333,753	742,663	394,122	—	—	3,470,538
Exchange adjustment	2,135,802	438,272	5,887	6,508	5,521	2,589,990
At end of year	35,523,690	8,935,186	3,538,867	149,192	247,851	48,394,786
Depreciation						
At beginning of year	—	—	13,992	42,358	94,562	150,912
Provided for year	—	—	7,773	29,648	60,650	98,071
Disposals	—	—	—	(8,363)	(25,711)	(34,074)
Exchange adjustment	—	—	1,555	2,784	2,345	6,684
At end of year	—	—	23,320	66,427	131,846	221,593
Net book values						
At 25th December 1989	35,523,690	8,935,186	3,515,547	82,765	116,005	48,173,193
At 25th December 1988	34,092,222	6,294,445	2,602,984	48,153	153,034	43,190,838
The year end balance is analysed as follows:						
Historical cost	18,662,067	5,434,131	1,735,918	82,765	116,005	26,030,886
Revaluation	16,861,623	3,501,055	1,779,629	—	—	22,142,307

The USA investment properties were independently valued by Sudler Marling Inc on the basis of open market value as at 31st December 1989.

The UK properties were independently valued at 25th December 1989 by Grant and Partners on the basis of open market value for existing use. The valuation included £8,024,000 (1988: £5,525,000) in respect of leasehold properties all of which have an unexpired term of more than thirty years.

The net book values of tangible assets includes £4,122 (1988: £50,984) in respect of assets held under finance leases and hire purchase contracts.

The net book value of tangible assets includes £860,507 (1988: £264,657) in respect of capitalised interest.

The rate of exchange at the balance sheet date was $1·62 to the £ (1988: $1·80 to the £).

Notes to the Accounts

for the year ended 25th December 1989, continued

17. Investments

Group	Investment in Associated Company	Other Investments	Total
	£	£	£
At beginning of year	2,064,971	—	2,064,971
Additions	—	288,351	288,351
Share of result	(111,557)	—	(111,557)
Revaluation surplus	775,000	—	775,000
At end of year	2,728,414	288,351	3,016,765

Company	Shares in Group Companies	Loans to Group Companies	Shares in Associated Company	Total
	£	£	£	£
Cost				
At beginning of year	7,753,761	675,045	50	8,428,856
Additions	100	—	—	100
At end of year	7,753,861	675,045	50	8,428,956

Subsidiary and associated companies are shown under note 31.

18. Properties held for disposal

Properties held for disposal were valued at £1,654,642 at 25th December 1989 (1988: £1,662,778)

19. Debtors

	Group 1989	Group 1988	Company 1989	Company 1988
	£	£	£	£
Due within one year				
Trade debtors	207,236	184,058	—	—
Amounts owed by subsidiary companies	—	—	7,052,948	2,798,617
Other debtors	62,795	191,315	4,883,906	—
Tax recoverable (including advance corporation tax)	41,595	112,457	316,995	33,859
Prepayments and accrued income	280,495	32,312	48,585	171,943
	599,119	520,142	12,302,432	3,004,419
Due after one year				
Trade debtors	—	5,194	—	—
Other debtors	393,559	129,586	—	—
Prepayments and accrued income	118,438	80,008	—	—
	511,997	214,788	—	—
	1,511,116	734,930	[illegible]	[illegible]

Notes to the Accounts

for the year ended 25th December 1989, continued

20. Creditors falling due within one year

	Group 1989	Group 1988	Company 1989	Company 1988
	£	£	£	£
Bank overdraft (see note 26)	55,599	1,141,395	1,638	1,027,300
Bank loans (secured) (see note 26)	139,830	—	—	—
Trade creditors	741,041	595,409	—	—
Amounts owed to subsidiary companies	—	—	11,671,446	6,299,157
Other creditors	289,188	241,597	1,839	37,457
Taxation and social security	224,301	93,733	—	—
Corporation tax (including advance corporation tax)	81,111	191,677	36,281	24,008
Obligations under finance leases and hire purchase contracts (see note 29)	875	13,962	—	—
Accruals	188,218	206,941	2,000	2,000
Proposed Dividends	72,562	48,375	72,562	48,375
	1,792,725	2,535,169	11,785,766	7,438,277

21. Creditors falling due after more than one year

	Group 1989	Group 1988	Company 1989	Company 1988
Bank loans (secured) (see note 26)	24,829,769	22,066,833	—	1,000,000
Other creditors	179,518	278,955	—	—
Obligations under finance leases and hire purchase contracts (see note 29)	—	1,724	—	—
	25,009,287	22,347,512	—	1,000,000

Bank loans of £8,650,000 (1988: £11,270,000) are secured on properties in the UK. Bank loans of £16,319,999 (1988: £10,796,833) are secured on properties in the USA without recourse to other companies in the Group.

22. Minority Interests

	1989	1988
	£	£
Share of net assets of USA group attributable to minority shareholders	5,521,678	5,394,575

Notes to the Accounts

for the year ended 25th December 1989, continued

23. Share Capital

	Authorised 1989	Authorised 1988	Issued and fully paid 1989	Issued and fully paid 1988
	£	£	£	£
Ordinary shares of 10p each	1,500,000	1,500,000	1,209,571	1,182,500

On 20th March 1989 268,709 Ordinary shares were issued to complete the reorganisation of management interests to the share capital of the Company.

Options to subscribe for Ordinary shares of 10p each under the Executive Share Option Schemes have been granted as follows:

Number of shares	Subscription Price	Period within which options are exercisable
50,000	102p	Before 31st March 1990
25,000	102p	1st July 1990 to 31st December 1990
325,000	102p	10th June 1991 to 10th June 1998
400,000		

24. Reserves

	Share premium account	Revaluation reserve	Other reserves: Capital reserve	Other reserves: Capital redemption reserve	Other reserves: Reserve for own shares	Profit and loss account
	£	£	£	£	£	£
Group						
At beginning of year	96,446	17,155,550	87,087	591,153	26,871	402,667
Arising on revaluation	—	3,470,558	—	—	—	—
Revaluation of associated company	—	775,000	—	—	—	—
Realised surplus transferred to profit and loss account	—	(3,388,046)	—	—	—	—
Exchange differences	—	778,887	—	—	—	70,145
Equalisation adjustment	—	(257,298)	—	—	—	—
Issue of shares	—	—	—	—	(26,871)	—
Expenses of share issue	(300)	—	—	—	—	—
Profit for the year	—	—	—	—	—	3,405,425
At end of year	96,146	18,534,631	87,087	591,153	—	3,878,237
Company						
At beginning of year	148,768			591,153	26,871	2,554,042
Issue of shares	—			—	(26,871)	—
Expenses of share issue	(300)					
Profit for the year	—			—	—	4,960,651
At end of year	148,468			591,153	—	7,514,693

25. Net assets per share

Net assets per share have been calculated on 12,095,709 Ordinary shares of 10p each (1988: 11,825,000) and have been based on net assets of £24,396,625 (1988: £19,542,274).

Notes to the Accounts

for the year ended 25th December 1989, continued

26. Bank loans and overdraft

	Group 1989	Group 1988	Company 1988
	£	£	£
Aggregate amount repayable			
Between one and two years	8,442,469	13,889,907	1,000,000
Between two and five years	4,895,755	7,102,555	—
In five years or more	11,491,545	1,074,371	—
	24,829,769	22,066,833	1,000,000
In one year or less or on demand	195,429	1,141,395	1,027,300
	25,025,198	23,208,228	2,027,300

Bank loans repayable in five years or more are as follows:

		1989	1988
Payable by instalments			
10·9%	1994/1998	941,967	—
11·9%	1994/2001	505,000	583,000
		1,446,967	583,000
Payable other than by instalments			
10.9%	1998	9,534,503	—
LIBOR + 2%	2001	300,000	300,000
9.5%	1996	210,075	191,371
		10,044,578	491,371

27. Deferred taxation

No provision has been made for the tax liability that would arise if the investment properties were sold at their balance sheet valuation.

The potential Group liability is as follows:

	1989		1988	
	£	£	£	£
Tax on surpluses arising on revaluation of investment properties	6,094,594		4,977,629	
Less: Taxation losses carried forward	(42,915)		(46,472)	
		6,051,679		4,931,157
Tax effect of timing differences due to capital allowances		154,688		153,574
		6,206,367		5,084,731

28. Contingent liabilities

The Company has guaranteed bank loans to certain U.K. subsidiaries totalling £6,550,000 (1988-£8,170,000) which have been included in the consolidated balance sheet.

At the year end the Company guaranteed £1,100,000 of the bank debt of its associated company, Capital and Regional (Victoria) Limited and also guaranteed half of any losses incurred by the other shareholder in the associated company, up to a maximum liability of £1,500,000. The other shareholder's interest in the associated company was acquired by the Company after the year end (see note 30).

Notes to the Accounts
for the year ended 25th December 1989, continued

29. Future commitments

	1989	1988
	£	£
Group		
Capital		
Contracted	—	749,523
Authorised but not contracted	30,000	609,569
Future obligations under finance leases and hire purchase contracts are as follows:		
Gross obligations		
In one year or less	875	14,740
Between one and two years	—	4,386
Between two and five years	—	200
	875	19,326
Less: Interest element in above payments	—	3,640
	875	15,686
Revenue		
Annual commitments under non-cancellable operating leases for land and buildings are as follows:		
Operating leases which expire		
Between two and five years	36,111	31,000
In five years or more	15,000	15,000
	51,111	46,000

30. Post balance sheet events

On 18th January 1990, the 50 per cent interest in Capital and Regional (Victoria) Limited owned by Hanover Property Unit Trust was acquired for £2,050,000. Prior to the acquisition, the company, which is now a wholly owned subsidiary, sold two properties to Hanover Property Unit Trust for £5,510,000 and repaid their loan of £5,400,000.

Set out below is a pro-forma statement of net assets of the Group following the acquisition.

	£000
Tangible assets	58,073
Investments	288
	58,361
Net current assets	3,660
Total assets less current liabilities	62,021
Creditors falling due after more than one year	31,559
	30,462
Minority interests	5,522
Net assets	24,940
Net assets per share	206p

Notes to the Accounts

for the year ended 25th December 1989, continued

31. Subsidiary and associated companies

Name	Country of incorporation and operation	Group share of Ordinary share capital held by: The Company	Subsidiaries	Nature of business
UK group				
Branchlook Limited	United Kingdom	100%		Property investment and management
Capital and Regional Estates Limited	United Kingdom	100%		Property development
Capital and Regional Investments Limited	United Kingdom	100%		Property investment
Capital and Regional Property Management Limited	United Kingdom	100%		Property management
Commorole Limited	United Kingdom	100%		Property investment and management
Dundath Limited	United Kingdom	100%		Property investment and management
Downcross Limited	United Kingdom	100%		Property investment and management
Favourshaw Limited	United Kingdom	100%		Property dealing
Finch Jet Limited (formerly Manchester Corn Exchange Estates Limited)	United Kingdom	100%		Property investment and management
Grovebury Properties (Holdings) Limited	United Kingdom	100%		Property investment and management
Owlumber Limited	United Kingdom	100%		Property investment and management
Capital and Regional Property Holdings Limited	United Kingdom		100%	Property investment
Churchwick Investments Limited	United Kingdom		100%	Property investment and management
Dawson Investments Limited	United Kingdom		100%	Property investment and management
Denton Investments Limited	United Kingdom		100%	Property investment and management
Jesron Properties Limited	United Kingdom		100%	Property investment and management
Capital and Regional (Victoria) Limited	United Kingdom	50%		Property investment and management

Notes to the Accounts
for the year ended 25th December 1989, continued

31. Subsidiary and associated companies *(continued)*

Name	Country of incorporation and operation	Group share of Ordinary share capital held by: The Company	Subsidiaries	Nature of business
USA group				
C & R USA Corporation	United States of America	100%		Property investment and management
Capital and Regional Properties Corporation	United States of America		75%	Property investment and management
Indiana Land Corporation	United States of America		75%	Property management
Restoration Management Corporation	United States of America		75%	Property management

The USA group has interests in limited partnerships as follows:

Name of limited partnership	Nature of interest	Interest held by	Proportion of operating results	Proportion of equity
545 North Michigan Avenue Associates	General partner	C & R USA Corporation	1%	66.6%
Great Lakes Investors I	General partner	Indiana Land Corporation	50%	50%
	Limited partner	Capital and Regional Properties Corporation	20%	20%
			70%	70%
East Chicago Investors Limited Partnership	General partner	Capital and Regional Properties Corporation	87%	87%
	Limited partner	C & R USA Corporation	.75%	.75%
			87.75%	87.75%

Notes to the Accounts

for the year ended 25th December 1989, continued

31. Subsidiary and associated companies *(continued)*

Name of limited partnership	Nature of interest	Interest held by	Proportion of operating results	Proportion of equity
Annwiler Investors Limited Partnership	General partner	C & R USA Corporation	1%	1%
	Limited partner	C & R USA Corporation	49%	49%
			50%	50%
[illegible]gate XXXIII Partners	Managing partner	Capital and Regional Properties Corporation	5%	5%
	Non-managing partner	C & R USA Corporation	50%	50%
			55%	55%
[illegible] Investors Limited Partnership	General partner	Capital and Regional Properties Corporation	1%	1%
	Limited partner	C & R USA Corporation	49.25%	49.25%
			50.25%	50.25%

Auditors' Report

To the members of Capital and Regional Properties plc

We have audited the financial statements on pages 11 to 28 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 25th December 1989 and of the profit and source and application of funds of the Group for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

Stoy Hayward,
Chartered Accountants,
8 Baker Street,
London W1M 1DA.

29th March 1990

Capital and Regional Properties plc

Form of Proxy

for Annual General Meeting to be held on Thursday 26th April 1990

PLEASE INSERT FULL NAME(S) AND ADDRESS IN BLOCK LETTERS

I/We

of

being (a) shareholder(s) of Capital and Regional Properties plc hereby appoint *THE CHAIRMAN OF THE MEETING or ....

as my/our proxy to vote for me/us and on my/our behalf, at the Annual General Meeting of the Company to be held on 26th April, 1990 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Where no "X" is inserted the Proxy will vote or abstain from voting as he/she thinks fit.

ORDINARY BUSINESS	For	Against
1. To adopt the report and accounts		
2. To declare the dividend recommended by the directors		
3. To re-elect M. [illegible] a director of the Company		
4. To re-elect D. D. Martin-Jenkins a director of the Company		
5. To re-appoint auditors		
SPECIAL BUSINESS	**For**	**Against**
6. Ordinary Resolution—To make market purchases of the Company's own shares in compliance with Section 166 of the Companies Act 1985		
7. Special Resolution—To ratify adoption of Share Option Schemes and grant of options		
8. Special Resolution—To confirm directors' authority to grant options between the Annual General Meetings in 1989 and 1990		
9. Ordinary Resolution—To amend the Share Option Schemes		
10. Ordinary Resolution—To authorise the directors to allot equity securities		
11. Special Resolution—To authorise the disapplication of pre-emption rights		

Signature(s) .... Date

Number of Ordinary shares held

Notes

1. *Delete if it is desired to appoint any other person, insert his/her name and address in BLOCK LETTERS and initial the amendment. Such other proxy need not be a member of the Company.
2. In the case of a corporation this form of proxy must be executed under its Common Seal or the hand of an officer or attorney duly authorised in writing.
3. To be valid this form of proxy must be lodged at the office of the Company's registrars not later than 48 hours before the time of the meeting.
4. In the case of joint shareholders this form of proxy may be signed by any one of such joint shareholders.
5. Any alterations to this form must be initialled.
6. Lodging proxies does not prevent shareholders attending the meeting and voting.

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REGISTRARS DEPARTMENT,

CROSSLEY HOUSE,

NEWLANDS DRIVE,

WITHAM,

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