

COMPANY NO 267163

# Southend Property Holdings PLC



REPORT AND ACCOUNTS 1996

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I welcome this opportunity to make my first report as Chairman and Chief Executive of your Company, a role to which I was appointed on 16th January 1996, subsequent to Southend's acquisition of the Old Hall Estates Group of which I was also Chairman. My immediate obligation was to establish a clear picture of Southend in terms of its historic record, current position and potential which would provide a starting point from which future progress can be measured.

This review was carried out with the full support of your Board and against the background of current requirements for sound corporate governance and company transparency.

My main conclusion is that your Company is sound with considerable potential but that major re-organisation is essential if that true potential is to be realised. The Company can and will, be a major player in the increasingly focused market within which we operate. To succeed we must concentrate on our key objectives which are adding value to existing investment properties and exploiting new opportunities for profitable investment in properties.

The immediate effect of this review is a substantial write down of asset values, which you can see in the accounts. I have addressed the items which make up the write down in detail in my statement.

#### Property Portfolio

Within the review process it was essential to reassess Southend's underlying property portfolio value, which had been the subject of sustained speculation in both the property and financial markets.

Although an independent property revaluation was not required by accounting policy, the Board took the view that it was a vital element in restoring market confidence and therefore commissioned Lambert Smith Hampton to revalue the Group's entire portfolio. This exercise produced an aggregate value of £238 million and an underlying reduction of £23 million or 9.9% from the previous valuation.

Whilst the property revaluation has contributed to the write down and a reduction in net asset value per share, we now have a reliable foundation upon which to base future Board decisions. The write down covered a broad spread of properties, certain of which are approaching the end of their occupational leases. These include Hampton House on the Albert Embankment, London, where the majority of the occupational leases expire in two years. This property accounted for £8 million of the total write down. Your Board will spare no effort to ensure that the leases will be renewed and when they are we will revalue according to the covenant and length of lease obtained but it was deemed prudent to treat this property according to its current short lease status.

I have cited the above example to demonstrate just how sensitive the market is to the value of buildings, particularly of older office buildings, where the existing leases have a relatively short period of time before expiring. Property companies both large and small, can no longer rely on leases being automatically renewed or on an ever increasing rise in the level of passing rent. This is not an issue which is unique to Southend but one which affects the industry as a whole. In order to give you a clear and unequivocal picture to the progress your company is making in coping with these changed circumstances we will, for so long as the market remains in this condition, undertake an annual revaluation.

#### Debtors

Provision has been made against debts totalling £3.74 million arising from the sale in 1990 of Tintagel House. This matter is the subject of litigation against G E Capital Corporation (Funding) Limited and while we are determined to secure full restitution of the sums involved and consider that the result of litigation will be positive, there is a degree of uncertainty in any litigious process and prudence requires that allowance be made for the full amount of the debt.

Additionally, your Board has also taken the step of reviewing and re-assessing provisions made previously for various doubtful debts due from past and present tenants and as a result these have been written down by approximately £900,000.

#### Investments

Southend's portfolio of investments in other businesses, which included shares in other UK quoted property companies, an Australian vineyard and a UK quoted fashion company has been reviewed and a number of holdings have been sold.

Provision has been made against the carrying value of certain investments which we have so far retained. However, I am pleased to report that despite the poor trading results of Titan Resources, the Australian mining company, we have not considered it necessary to make any provision against its carrying value. Changes are taking place within that company and, as has been reported in the National Press, it has recently made a discovery of nickel deposits, which may have substantial upside potential.

Disposals have continued since the year end and I can advise you that it is not our intention to invest the Group's resources in peripheral activities outside the property sector.

#### Net Assets

All the above enables us to state that the value of net assets per share, verified by external advice, is 62p and painful as its realisation may be in the short term, I am confident that your Company has now stated firmly its real net value. This is the benchmark figure which needs to be recognised by all those who increasingly speculate about the future shape of the quoted property sector.

#### Loss for the Year

The profit and loss account shows a loss for the year ended 31st March 1996 of £10 million against a profit for the previous year of £1.5 million. Exceptional items included are the £3.74 million provision against Tintagel House debt, £1.5 million

of the property write downs which we consider represent a permanent diminution in value and £1.6 million arising from a write down of mining assets by Titan Resources. In addition the loss includes the £900,000 of further debt provisions, a net result of disposal and writing down of investments of £647,000 and certain additional overhead costs detailed below.

The profit for the previous year reflected property sales which were not repeated in the year ended 31st March 1996.

#### Dividends

As a result of the loss for the year and other write downs the Directors are unable to pay a final dividend.

It is however your Directors' clear intention to return to a policy of dividend payment as soon as the figures justify such a decision but in order to do so it will be necessary to reorganise the capital base of the Company. The Board intends to seek shareholder approval for a reduction in share premium account to eliminate negative revenue reserves thereby enabling dividends to be paid as soon as this is prudently possible.

#### Operational Overhead

The Board has paid particular attention to examining the underlying operational overhead costs arising from running your Company. Whilst the results for the year show a rise in overheads from £1.8 million in 1994/95 to £3.08 million in 1995/96 this is largely accounted for by the sum of £725,000 paid in compensation to the previous senior management team, and by one-off costs arising during the brief period when the full staff complement of both Southend and Old Hall Estates remained employed.

In addition, we incurred a number of one-off banking charges relating to a re-structuring of facilities and further fees relating to the under utilisation of facilities and their reduction to required levels.

Since then the process of reorganisation has achieved significant cost reductions and, for the forthcoming year, we anticipate that overheads will be reduced back to some £1.85 million, although the Group has been enlarged significantly.

#### Rental Income

I am pleased to report that rental income has increased from £17.7 million to £19.5 million. £0.8 million of the increase is due to the acquisition of Old Hall Estates and the effect on a full year will be in excess of £3 million.

#### The Future

Since the first quarter of 1996, we have undertaken a detailed re-assessment and appraisal of the entire portfolio. This process will be continuous. As a matter of policy we are making a series of strategic disposals, the proceeds of which will be more usefully employed in debt reduction or the acquisition of more profitable assets.

It is irrefutable that occupancy levels not only have a positive influence on the rental stream but also support property values. We have therefore, implemented a strong marketing programme which has had, and continues to have, the effect of lifting occupancy rates very significantly – to approximately 90 per cent across the retained portfolio, as against 82% in 1995.

#### Major site potential

As a key element in reassessment, we have focused on a number of major sites where the full potential has yet to be realised. Of these, two prime sites in Sheffield and Birmingham offer very significant and profitable development opportunities, which we are actively seeking to realise.

#### Change of Name

Your Board now wishes to take the Company forward in a positive and dynamic fashion and to assist in achieving this it feels the name "Southend" no longer reflects the nationwide geographical

spread of the Company's portfolio and development projects. The Board therefore intends to seek shareholder approval to change the name of the Company to "Hampton Trust PLC" which is a long established and respected name belonging currently to your Company's principal operating subsidiary.

#### Company Culture

We have now created a culture within your Company that welcomes the current changes throughout the market place rather than fears them. Change is inevitable in the market place in which we operate and we must be in a position to manage situations, exploit opportunities and take calculated risks. By achieving this, the Company will be able to reward its shareholders. I am confident that we have now established a platform from which we can achieve these aspirations.

Graeme Jackson

12th August 1996

## DIRECTORS AND ADVISERS

Directors      Graeme Jackson  
*Chairman and Chief Executive*

Neil M Ankers ACA  
*Finance Director*

Sir Robert Andrew KCB\*  
Felix J C Pole\*  
Thomas F Wilson FRICS\*  
*\*Non-executive*

Secretary      John A Sutherland FCA

Registered office      1 Dancastle Court,  
Arcadia Avenue,  
London N3 2JU

Registrar and transfer office      Independent Registrars  
Balfour House,  
390/398 High Road,  
Ilford, Essex IG1 1NQ

Auditors      Ernst & Young  
Becket House,  
1 Lambeth Palace Road,  
London SE1 7EU

Financial advisers      West Merchant Bank Limited  
33-36 Gracechurch Street,  
London EC3V 0AX

## REPORT OF THE DIRECTORS

For the year ended 31st March 1996

The Directors have pleasure in submitting their Report and Accounts for the year to 31st March 1996.

### Results & Dividends

The Group's loss for the year after taxation amounted to £10,084,000.

The Directors are unable to recommend the payment of a final dividend. The Company paid an interim dividend to Ordinary shareholders in February 1996 of 0.88p per share.

Allowing for dividends including those on Convertible Preference shares, £11,502,000 of reserves have been utilised.

### Review of the Business & Future Developments

The main activities of the Company and its subsidiaries are property investment, development and dealing. The Chairman's Statement on pages 2 to 4 contains a report of the Group's progress during the year together with an indication of the future prospects.

### Fixed Assets

Changes in fixed assets are summarised in notes 9 to 11 to the accounts.

### Directors

The Directors who served during the year were as follows:

Graeme Jackson (*appointed 16th January 1996*)

Neil M Ankers ACA (*appointed 16th January 1996*)

Sir Robert Andrew KCB\*

Felix J C Pole\* (*appointed 1st March 1996*)

Thomas F Wilson FRICS\* (*appointed 4th March 1996*)

Malcolm Dagul, FFA (*resigned 29th February 1996*)

Paul G Maurice, ACA, ATII (*resigned 16th January 1996*)

Laurence S Lebor, FRICS\* (*resigned 14th September 1995*)

Aharon Nathan\* (*resigned 16th January 1996*)

\*non executive

Sir Robert Andrew aged 67 served as Permanent Under-Secretary of State, Northern Ireland Office between 1984 and 1988 and was Director of the Esmée Fairbairn Charitable Trust from 1989 to 1994. He is Chairman of the Council of Royal Holloway, University of London, and Chairman of the Governing Body of Kings College School. He has been a Director of the Company since March 1994.

Felix Pole aged 52 is a surveyor and is a consultant to the World Bank and the EU. He is a director of Opera Factory.

Thomas Wilson aged 66 is senior partner of St Quintin, Chartered Surveyors and has been a non executive Director of Estates & General Investments PLC for 17 years. He is surveyor to the Worshipful Company of Cutlers and a council member of the National Youth Theatre of Great Britain.

# REPORT OF THE DIRECTORS

Continued

In accordance with the Articles of Association, all the Directors, except for Sir Robert Andrew, having been appointed by the Board since the last annual general meeting resign and being eligible, offer themselves for re-election. Messrs Jackson and Ankers each have a service contract with the Company which may be terminated by the Company or the Director giving not less than two years notice. The Remuneration Committee has carefully considered the length of the service contracts of the Executive Directors and consider the notice periods to be appropriate to the relatively long term nature of the Company's business and in the Company's best interests. The non executive Directors do not have service contracts with the Company.

## Directors' Interests

The interests of the Directors in the shares of the Company at 1st April 1995 (or their date of appointment if later) and 31st March 1996 as recorded in the register maintained by the Company in accordance with the provisions of Section 325 of the Companies Act 1985, were as follows:

	Ordinary shares		Warrants	
	31.3.96	Date of appointment or 1.4.95	31.3.96	Date of appointment or 1.4.95
Graeme Jackson	13,876,614	13,876,614	3,410,664	3,410,664
Neil M. Ankers	13,876,614	13,876,614	3,410,664	3,410,664
Sir Robert Andrew KCB	-	-	-	-
Felix J C Pole	13,876,614	13,876,614	3,410,664	3,410,664
Thomas F Wilson	-	-	-	-

None of the above interests were beneficial. Graeme Jackson, Neil Ankers and Felix Pole are directors and shareholders of Marplace (Number 365) Limited which beneficially owns 13,876,614 Ordinary shares and 3,410,664 Warrants. The interests of Messrs Jackson, Ankers and Pole in the share capital of Marplace (Number 365) Limited are respectively 43.7%, 20.1% and 32.7%. On this basis the interests of Messrs Jackson, Ankers and Pole in the shares held by Marplace (Number 365) Limited are respectively 6,066,855, 2,796,138, and 4,536,265 Ordinary shares and 1,491,141, 687,248 and 1,114,946 Warrants.

There have been no changes in the above interests up to 2nd August 1996.

None of the Directors was materially interested during the year in any contract of significance in relation to the Company's business entered into by the Company or its subsidiaries except for the purchase by the Company of Old Hall Estates Group Limited in which Messrs Jackson, Ankers and Pole were interested. Further details of this acquisition are shown in note 10 to the accounts.



# REPORT OF THE DIRECTORS

Continued

## Employee Share Ownership Plan Trust

In addition to the above interests executive Directors have interests as potential beneficiaries of a discretionary employee benefit trust under which the trustees have powers to invest in Ordinary shares and Convertible Preference shares of the Company. An executive share option scheme has also been established enabling the Company, with the agreement of the trustees, to grant options over shares acquired by the Trust. To date 1,447,500 Ordinary shares have been bought by the Trust, the Company having lent the funds required. Further details of the loan are given in note 13 to the accounts.

At 31st March 1996 the following options had been granted over shares held by the Trust:

Exercise dates	Price	No. of shares
5th October 1992 to 5th October 1996	195p	28,000
8th October 1993 to 7th October 1997	88p	180,000

All of the options at 195p are to individuals who have been granted a greater number of options at 88p. In the event that any of these individuals exercises either option in part or in full the number of shares available under the other option will be reduced by the number of shares over which the option was exercised.

The trustees have waived the entitlement to receive dividends on all shares held by the Trust.

## Executive Share Option Scheme

At 31st March 1996 the following options had been granted and have not lapsed over Ordinary shares in the Company under the Company's Executive Share Option Scheme adopted on 29th July 1987:

Exercise dates	Price	No. of shares
6th September 1991 to 6th September 1998	148.00p	85,500
26th September 1992 to 26th September 1999	207.66p	50,000
26th January 1993 to 26th January 2000	130.00p	70,000
23rd January 1998 to 23rd January 2005	49.00p	500,000
		705,500

## Substantial Shareholders

Apart from the interests of Marplace (Number 365) Limited in 13,876,614 Ordinary shares the Company had been notified as at 2nd August 1996 of the following interests in its issued share capital pursuant to Part VI of the Companies Act 1985:-

	Ordinary shares	%
Ellerman Corporation Limited	13,333,333	12.30
PDFM Limited (a subsidiary of UBS UK Holdings Limited)	11,369,091	10.49
Fidelity International Limited and its direct and indirect subsidiaries (non beneficial interest)	10,333,348	9.53
Union Property Holdings Limited		5.16
(a wholly owned subsidiary of The British Land Company PLC)	5,594,405	3.10
British Aerospace Pension Funds Investment Management Limited	3,356,416	

## Tax Status

In the opinion of the Directors the Company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 during the period covered by these accounts and, so far as the Directors are aware, there has been no change in this respect since 31st March 1996.

#### Auditors

A resolution proposing the re-appointment of Ernst & Young will be submitted at the Annual General Meeting.

#### Political & Charitable Contributions

During the year the Company made charitable contributions totalling £11,000. There were no political contributions.

#### Special Business at the Annual General Meeting

Shareholders will see from the separate Notice of Annual General Meeting set out in a circular dated 12th August 1996 which accompanies this Report and Accounts that they are asked to consider and, if thought fit, pass a number of Resolutions as special business. These are explained and set out in the circular. The Resolutions relate to:-

- renewal of the Directors' authority for the Company to purchase certain of its own shares;
- renewal of the Directors' authority to allot relevant securities;
- renewal of the Directors' powers to allot equity securities for cash;
- renewal of the authority of the Directors to offer shareholders the right to receive Ordinary shares instead of cash in respect of any dividends to be declared for the financial year of the Company ending on 31st March 1997;
- proposed reduction of the Company's share premium account;
- change of the name of the Company from Southend Property Holdings PLC to Hampton Trust PLC.

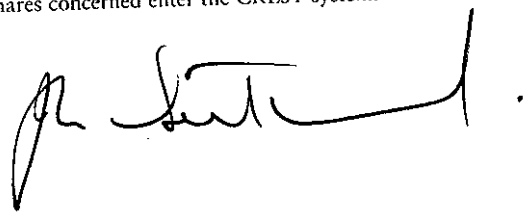
#### Crest Settlement System

CREST is the new settlement system for shares and other securities, which has been developed by the Bank of England and which is replacing the existing settlement system. CREST is operated by CRESTCO Limited, whose shareholders are from a broad spectrum of participants in the UK securities market. It is a voluntary system which enables shareholders to hold and transfer their shareholdings in electronic form rather than in paper if they wish. Shareholders who wish to retain their certificates may continue to do so. The system offers shareholders the option of sponsored membership enabling them to hold shares in their own name in electronic form, while authorising an intermediary, such as a broker, to operate the membership on their behalf. Such shareholders will continue to have a direct relationship with the issuing company, just as if they had retained share certificates. Since entry into CREST by the shareholder is voluntary and his/her rights are not changed, companies are able to make their ordinary shares available for settlement in CREST by board decision. The Company hereby gives you notice, in accordance with the Uncertified Securities Regulations 1995 (the "Regulations") that on 30th July 1996, the Company resolved by a resolution of its Directors that title to the ordinary shares of 5p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the Directors will become effective immediately prior to CRESTCO Limited granting permission for the shares concerned to be transferred by means of the CREST system.

The above notice is the notice that the Company is obliged to give its members, under the Regulations, of the passing of a Directors' resolution (as defined in the Regulations) in relation to its ordinary shares. The Directors' resolution will enable the Company's ordinary shares to join CREST in due course. The shares have not become transferable by means of the CREST system merely by virtue of passing of the Directors' resolution, nor will they become so by virtue of the Directors' resolution becoming effective: the permission of the Operator of the System, CRESTCO Limited, must also be given before the shares become so transferable. The effect of the Directors' resolution is to disapply, in relation to the ordinary shares, those provisions of the Company's Articles of Association that are inconsistent with the holding and transfer of those shares in CREST and any provision of the Regulations, as and when the shares concerned enter the CREST system.

By Order of the Board

J A Sutherland Secretary  
12th August 1996



## DIRECTORS' RESPONSIBILITIES AND CORPORATE GOVERNANCE

### Statement of Directors' Responsibilities in respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for the year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The guidance issued by the Cadbury Committee specifically requires the Directors to consider the appropriateness of the going concern basis. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

### Corporate Governance

#### (i) The Board

The Board currently comprises two executive Directors and three non executive Directors and is responsible to shareholders for the proper management of the Group. It meets at least four times a year setting and monitoring Group strategy, and all major investment and finance matters. All members of the Board have access to independent professional advice. The Board has set up the following committees to deal with specific aspects of the Group's affairs.

#### (ii) Audit Committee

The Audit Committee comprises the Company's non executive Directors and is chaired by Sir Robert Andrew. It meets at least twice a year, and provides a forum for reporting by the Group's external auditors.

The Audit Committee is also responsible for reviewing a wide range of financial matters including the annual and half year figures, statements and accompanying reports, and monitoring the controls which are in force to ensure the integrity of the financial information reported to shareholders. It also advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work.

#### (iii) Remuneration Committee

The Remuneration Committee is made up of the Company's non executive Directors and is chaired by Sir Robert Andrew. It has responsibility for determining the remuneration, contract terms and other benefits for executive Directors. The report of the Remuneration Committee is set out on page 11.

#### (iv) Internal financial control

The Directors are responsible for the Group's system of internal financial control and place considerable importance on maintaining a strong control environment. It should be noted that internal financial control can only provide reasonable assurance and not certainty against material errors, losses or fraud.

The Directors have reviewed the system of internal financial control and have considered its appropriateness for the Group and its effectiveness, in relation to the "Criteria for Assessing Effectiveness" described in "Internal Control and Financial Reporting" issued by the Cadbury Internal Control Working Group.

## DIRECTORS' RESPONSIBILITIES AND CORPORATE GOVERNANCE

A summary of the established procedures of internal financial control is as follows:

The strength of the internal control system is dependant on the quality and integrity of management and staff. The integrity and competence of personnel are ensured through high recruitment standards and subsequent training. The Group has an established organisation structure with clearly defined lines of responsibility and reporting.

The Board is responsible for identifying major business risks faced by the Group and for determining the appropriate course of action to manage those risks.

Following the appointment of the Group's new management, a comprehensive budgeting system has been introduced with an annual budget and revised forecasts for the year which are updated quarterly.

The Audit committee considers internal financial control matters with management and external auditors, and reports on them to the Board.

### (v) Statement by the Directors on compliance with The Code of Best Practice

From 14th September 1995 to 16th January 1996 the Company had only two non executive Directors.

During the period from 16th January 1996 to 4th March 1996, the Company was in the process of appointing its new management and it was not in compliance with paragraphs 1.3, 3.3 and 4.3 of The Code of Best Practice published by the Cadbury Committee on The Financial Aspects of Corporate Governance.

During this period, due to the lack of sufficient non executive representation the audit and remuneration committees did not operate. However following the appointment of two further non executive Directors at the beginning of March 1996 and at all times prior to 14th September 1995 the Company has fully complied with the operative provisions of the Code.

## REPORT OF THE REMUNERATION COMMITTEE

The members of the Remuneration Committee (the "Committee") and appointments and resignations during the year were as follows:

Sir Robert Andrew (Chairman)

Laurence Lebor	Resigned 14th September 1995	Felix Pole	Appointed 1st March 1996
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Aharon Nathan	Resigned 16th January 1996	Thomas Wilson	Appointed 4th March 1996
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During the period between 16th January 1996 and 4th March 1996, due to the lack of non executive Director representation, the Remuneration Committee did not operate.

The Committee will report to shareholders annually. The Chairman of the Committee will attend the Annual General Meeting and will be available to answer questions about the remuneration of the Directors.

The Company's policy on executive Director remuneration is that the remuneration should be commensurate with their responsibilities. In formulating the Company's policy the Committee has given full consideration to Section B of The Best Practice Provisions annexed to the Listing Rules issued by the London Stock Exchange. The fees of the non executive Directors are reviewed by the full Board after considering recommendations by the executive Directors. Non executive Directors do not have service contracts.

Details of the remuneration received by all the Directors during the year are set out in Note 4 to the accounts. Options in respect of 1,242,356 Ordinary shares held by Messrs Dagul, Lebor and Nathan under the Company's Executive Share Option Schemes lapsed on their resignation from office. No options have been granted to or exercised by any Director during the year and none are held by any Director.

Sir Robert Andrew

Chairman of Remuneration Committee

12th August 1996

## AUDITORS' REPORT

### To the Shareholders of Southend Property Holdings PLC

We have audited the accounts on pages 13 to 33 which have been prepared under the historical cost convention, as modified to include the revaluation of certain tangible fixed assets and on the basis of the accounting policies set out on pages 18 and 19.

### Respective responsibilities of directors and auditors

As described on page 10 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 1996 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### Corporate governance matters

In addition to our audit of the accounts we have reviewed the Directors' statements on page 11 on the Company's compliance with the paragraphs of The Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

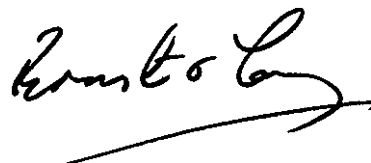
We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional audit work necessary to, and we do not, express any opinion on the effectiveness of the Company's corporate governance procedures nor on the ability of the Group to continue in operational existence.

### Opinion

With respect to the Directors' statements on going concern in the Statement of Directors' Responsibilities in respect of the Accounts, in our opinion the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and such statement is consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and officers of the Company and examination of relevant documents, in our opinion the Directors' statements on page 11 appropriately reflect the Company's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young  
Chartered Accountants  
Registered Auditor  
London  
12th August 1996



# GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31st March 1996

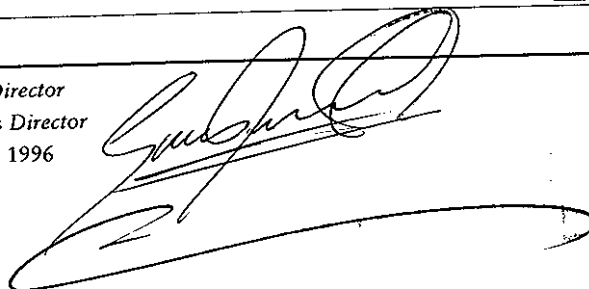
		1996	1996	1996	1995
		Continuing operations			
		Acquisitions	Other	Total	Total
	Notes	£000	£000	£000	Restated £000
Turnover	3	779	19,267	20,046	18,829
Cost of sales		125	3,418	3,543	2,279
Gross profit		654	15,849	16,503	16,550
Other operating income		-	36	36	133
Administrative expenses		(269)	(2,820)	(3,089)	(1,805)
Operating profit	4	385	13,065	13,450	14,878
Exceptional items:					
provisions for permanent diminution in property values			(1,524)		-
provision against debtor relating to property sale	13		(3,740)		-
				(5,264)	-
				8,186	14,878
Profit on disposal of investment properties				22	1,475
(Loss)/profit on disposal of investments				(647)	33
Dividends receivable				168	151
				7,729	16,537
Share of (loss)/profit of associated company:					
Ordinary activities			(838)		14
Exceptional item:					
Share of write down of mining assets			(1,641)		-
				(2,479)	14
Profit on ordinary activities before interest				5,250	16,551
Interest payable less receivable	5			15,136	14,547
(Loss)/profit on ordinary activities before taxation				(9,886)	2,004
Tax on result on ordinary activities	6			198	457
(Loss)/profit for the year				(10,084)	1,547
Dividends (including non-equity)	7			1,418	3,160
Transfer from reserves	21			(11,502)	(1,613)
(Loss)/earnings per share	8			(9.91p)	1.00p

# GROUP BALANCE SHEET

At 31st March 1996

	Notes	£000	1996 £000	1995 Restated £000
<b>Fixed assets:</b>				
<b>Tangible assets:</b>				
Property, plant and equipment	9		246,360	243,707
Investments	11		12,207	15,472
			258,567	259,179
<b>Current assets:</b>				
Stocks	12	602		464
Properties held for resale		7,621		1,854
Debtors	13	6,741		10,146
Cash at bank and in hand		24,093		32,677
		39,057		45,141
Creditors: amounts falling due within one year	15	37,519		39,775
Net current assets			1,538	5,366
Total assets less current liabilities			260,105	264,545
<b>Creditors: amounts falling due after more than one year:</b>				
Debenture stock and loans	16	153,564		125,762
Convertible unsecured loan stock	17	30,306		31,232
			183,870	156,994
			76,235	107,551
<b>Capital and reserves:</b>				
Called up share capital	20		14,157	14,127
Share premium	21		63,047	63,047
Revaluation reserve	21		8,982	17,423
Capital redemption reserve	21		31,106	31,136
Reserve arising on consolidation	21		(2,132)	(1,899)
Other reserves	21		(22,451)	(22,451)
Profit and loss account	21		(16,474)	6,168
<b>Shareholders' funds:</b>				
Equity			67,497	98,813
Non-equity			8,738	8,738
			76,235	107,551

G Jackson Director  
N M Ankers Director  
12th August 1996



# COMPANY BALANCE SHEET

At 31st March 1996

	Notes	1996 £000	1995 Restated £000
<b>Fixed assets:</b>			
Tangible assets	9	15,269	40,594
<b>Investments:</b>			
Investments in subsidiaries	10	80,535	103,798
Other investments	11	3,208	5,595
		99,012	149,987
<b>Current assets:</b>			
Properties held for resale		7,375	1,787
Debtors	13	81,475	88,578
Cash at bank and in hand		19,568	26,907
		108,418	117,272
Creditors: amounts falling due within one year	15	88,942	102,633
Net current assets		19,476	14,639
Total assets less current liabilities		118,488	164,626
<b>Creditors: amounts falling due after more than one year:</b>			
Loans	16	16,300	21,300
Convertible unsecured loan stock	17	30,306	31,232
		46,606	52,532
		71,882	112,094
<b>Capital and reserves:</b>			
Called up share capital	20	14,157	14,127
Share premium	21	63,047	63,047
Revaluation reserve	21	157	(10,401)
Capital redemption reserve	21	31,106	31,136
Other reserves	21	(21,192)	(21,192)
Profit and loss account	21	(15,393)	35,377
<b>Shareholders' funds:</b>			
Equity		63,144	103,356
Non-equity		8,738	8,738
		71,882	112,094

G Jackson Director  
N M Ankers Director  
12th August 1996



# GROUP CASH FLOW STATEMENT

For the year ended 31st March 1996

	Notes	1996 £000	1995 £000
Net cash inflow from operating activities	4(d)	6,354	15,848
Returns on investments and servicing of finance			
Interest received		1,497	1,680
Interest paid		(17,080)	(17,592)
Dividends received		168	151
Dividends paid		(2,960)	(2,880)
Net cash outflow from returns on investments and servicing of finance		(18,375)	(18,641)
Taxation			
Corporation tax and overseas tax paid		(1,023)	(1,706)
Tax paid		(1,023)	(1,706)
Investing activities			
Expenditure on properties, plant & equipment		(1,503)	(1,744)
Expenditure on investments		(194)	(669)
Purchase of subsidiaries	10	(162)	(155)
Receipts from sale of properties		2,269	9,007
Receipts from sale of other tangible assets		120	43
Receipts from sale of investments		2,315	294
Net cash inflow from investing activities		2,845	6,776
Net cash (outflow)/inflow before financing		(10,199)	2,277
Financing			
Market purchase of convertible unsecured loan stock		(658)	-
Repayment of mortgage loans		(52)	(3,556)
Repayment of bank loans		(1,506)	(1,400)
New bank loans		5,125	-
Net cash inflow/(outflow) from financing		2,909	(4,956)
Decrease in cash and cash equivalents	14	(7,290)	(2,679)

An analysis of changes in Group loan financing during the year appears in note 18.

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March 1996

	1996 £000	1995 £000
(Loss)/profit for the year	(10,084)	1,547
Unrealised (deficit)/surplus on valuation of properties	(21,823)	970
Gain/(loss) on exchange re Titan Resources NL	1,982	(517)
Provision for future profit share payment	-	(1,035)
Total recognised gains and losses relating to the year	(29,925)	965

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31st March 1996

	1996 £000	1995 £000
Reported (loss)/profit on ordinary activities before taxation	(9,886)	2,004
Realisation of property revaluation surpluses of previous years	1,174	554
Historical cost (loss)/profit on ordinary activities before taxation	(8,712)	2,558
Historical cost deficit for the year retained after taxation and dividends	(10,328)	(1,059)

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31st March 1996

	1996 £000	1995 £000
Total recognised gains and losses	(29,925)	965
Dividends: as provided	(1,418)	(3,160)
savings due to scrip dividend elections	260	190
Other movements:		
Goodwill written off	(233)	(368)
Total movements during the year	(31,316)	(2,373)
Shareholders' funds at 1st April 1995	107,551	109,924
Shareholders' funds at 31st March 1996	76,235	107,551

## 1 ACCOUNTING POLICIES

### Accounting convention

The accounts are prepared in accordance with all applicable Accounting Standards and under the historical cost convention as modified to include the revaluation of certain tangible fixed assets. They are prepared in accordance with applicable accounting standards and therefore certain tangible fixed assets are not depreciated as required by the Companies Act 1985, as explained below.

### Basis of consolidation

The group accounts consolidate the accounts of Southend Property Holdings PLC and its subsidiary undertakings made up to 31st March 1996. The profit and loss account includes the results of Old Hall Estates Group Limited and its subsidiaries from 16th January 1996.

Undertakings, other than subsidiary undertakings, in which the group has an investment and over which it is in a position to exercise a significant influence are treated as associated undertakings. The group accounts include the appropriate share of results based on accounts to 31st March 1996.

No profit and loss account is presented for Southend Property Holdings PLC as provided by Section 230(3) of the Companies Act 1985.

### Goodwill

Depending on the circumstances of each acquisition, purchased goodwill is either written off directly against reserves or amortised through the profit and loss account over the Directors' estimate of its useful life. On disposal of a subsidiary undertaking any goodwill not previously charged through an annual profit and loss account is included in the profit or loss arising on disposal.

### Properties

Completed properties held for long term investment are revalued annually at open market value. Valuations are carried out by an external valuer at least every third year.

Properties in the course of development are stated at cost or at valuation at the commencement of the development plus all development costs incurred subsequently. Properties are reviewed regularly by the Directors and if, in their opinion, there has been a long term diminution in value the property is written down to their valuation. On completion of a development the property is reclassified as either an investment or dealing property as appropriate.

Surpluses and deficits on valuation are transferred to revaluation reserve unless any deficit below original cost is a permanent diminution, in which case it is charged in the profit and loss account for the year.

On disposal of a fixed asset property any surplus or deficit, calculated by comparing net sales proceeds with book value, is included in profit on ordinary activities before taxation and any realised revaluation surplus or deficit is reclassified, within reserves, to profit and loss account.

#### Depreciation

In accordance with Statement of Standard Accounting Practice No.19, no depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the Directors believe that the policy of not providing depreciation in respect of these fixed assets is necessary in order to give a true and fair view, since the current value of investment properties and changes in that current value, are of prime importance, rather than a calculation of systematic annual depreciation. Depreciation is only one of the facets reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Properties used by the Group are not depreciated as they are maintained to such a standard that any depreciation would, in the opinion of the Directors, be immaterial. These properties are included at their market values.

Depreciation is provided on all other tangible fixed assets, at rates estimated to write off the cost over the useful lives of the assets.

#### Interest

Interest payable on borrowings attributable to financing properties in the course of development is capitalised gross as a cost of the development.

#### Turnover

Turnover includes sale proceeds, less associated selling costs, of dealing properties and gross rental income.

#### Properties held for resale

Properties held for resale are included at the lower of cost and net realisable value.

#### Stock

Stocks are included at the lower of cost and net realisable value.

#### Amortisation

The cost of mine properties of the associated undertaking, Titan Resources NL, is being amortised over the estimated life of the properties based on gold extraction.

#### Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future, without being replaced, calculated at the rate at which it is estimated that tax will be payable. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

#### Foreign currencies

##### Company and UK subsidiaries

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

#### Group

The accounts of the overseas associated undertaking are translated at the rate of exchange ruling at the balance sheet date. The exchange difference on the retranslation of the opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

## 2 COMPARATIVES

Earnings per share for the year ended 31st March 1995 and investments and debtors at that date have been restated to comply with the requirements of Urgent Issues Task Force Abstract 13 "Accounting for ESOP Trusts".

## 3 TURNOVER, GROUP PROFIT & SEGMENTAL REPORTING

(a) Turnover has arisen from the following activities:

	1996	1996	1996	1995
	Continuing operations			
	Acquisitions	Other	Total	Total
	£000	£000	£000	£000
Rental income	779	18,716	19,495	17,676
Sales of dealing properties	-	551	551	1,153
	779	19,267	20,046	18,829

All of the turnover was derived from within the United Kingdom.

(b) Profit on ordinary activities before interest has arisen from the following:

	1996	1995
	£000	£000
Property activities	7,729	16,537
Australian mining activities	(2,479)	14
	5,250	16,551

(c) Of the Group's result for the year a loss of £38,954,000 (1995 profit - £3,575,000) is dealt with in the accounts of the holding company.

(d) Net assets are employed in the following:

	1996	1995
	£000	£000
Property activities	66,281	97,099
Australian mining activities	9,954	10,452
	76,235	107,551

## 4 OPERATING PROFIT

(a) This is stated after charging:

	1996	1995
	£000	£000
Depreciation	59	50
Auditors' remuneration	66	63

In addition to fees for the audit the auditors were paid £34,000 (1995 - £6,000) for other services.

4 OPERATING PROFIT continued

(b) Directors' remuneration, including pension contributions and compensation for loss of office, amounted to £976,000 (1995 - £418,000) and comprised:

	Fees	Other emoluments		Total emoluments excluding pensions		Pension contributions		Compensation for loss of office	
	Basic Salary	Benefits	1996	1995	1996	1995	1996	1995	
	£000	£000	£000	£000	£000	£000	£000	£000	
Executive Directors:									
G Jackson	-	33	13	46	-	-	-	-	
N M Ankers	-	29	13	42	-	-	-	-	
M Dagul	-	219	20	239	247	90	48	488	
P G Maurice	-	14	-	14	15	-	-	15	
Non-executive Directors:									
Sir Robert Andrew	15	-	-	15	15	-	-	-	
F J C Pole	2	-	-	2	-	-	-	-	
T F Wilson	2	-	-	2	-	-	-	-	
L S Lebor*	12	-	-	12	82	-	-	-	
A Nathan	11	-	-	11	11	-	-	-	
	42	295	46	383	370	90	48	503	

\* For part of the year ended 31st March 1995 Mr Lebor was an executive Director.

None of the remuneration of the Directors is performance related.

Emoluments (excluding pension contributions and compensation for loss of office) of the Directors in office during the year fell within the following ranges:

	1996 No.	1995 No.
Nil - £5,000	2	-
£10,001 - £15,000	4	3
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-
£80,001 - £85,000	-	1
£235,001 - £240,000	1	-
£245,001 - £250,000	-	1

## 4 OPERATING PROFIT continued

## (c) Staff costs

	1996 £000	1995 £000
Wages and salaries	1,503	1,397
Social security costs	153	144
Other pension costs under defined contribution schemes	132	81
	1,788	1,622

The average weekly number of employees was 68 (1995 - 65) of whom 48 (1995 - 45) are engaged at certain properties with the costs being recoverable through service charges.

## (d) Reconciliation of operating profits to net cash inflow from operating activities

	1996 £000	1995 £000
Operating profit	13,450	14,878
Depreciation	59	50
Movements in: stocks	(136)	(426)
properties held for resale	(5,559)	334
debtors	(70)	675
creditors	(1,390)	337
Net cash inflow from operating activities	6,354	15,848

## 5 INTEREST PAYABLE LESS RECEIVABLE

	1996 £000	1995 £000
Interest on bank loans and overdrafts	3,851	2,934
Other interest	13,429	13,176
	17,280	16,110
Less: interest receivable	1,591	1,665
	15,689	14,445
Interest capitalised on development properties	(731)	(683)
Gain on market purchases of 8% Convertible Unsecured Loan Stock 2020	(268)	-
Deficit on interest rate hedging arrangements	446	785
	15,136	14,547

## 6 TAX ON RESULT ON ORDINARY ACTIVITIES

	1996 £000	1995 £000
Charge based on the loss/(profit) for the year:		
Corporation tax at 33%	-	-
Advance corporation tax written off	301	736
Deferred taxation	-	1
Tax attributable to franked investment income	34	30
	335	767
Taxation overprovided in previous years	(137)	(310)
	198	457
Share of taxation of associated undertaking	-	-
	198	457

The Company has surplus ACT amounting to £5,600,000 available to offset against future corporation tax liabilities. In addition group companies have trading losses of approximately £13,000,000, excess management expenses of approximately £9,000,000 and capital losses of approximately £18,000,000 which may be available in certain circumstances to reduce future taxable profits. No effect on the tax charge for the year arises as a result of the exceptional items.

## 7 DIVIDENDS

	1996 £000	1995 £000
Equity - Ordinary: interim (paid)	939	892
final	-	1,787
Non-equity: Preferred	-	2
Convertible preference (paid)	479	479
	1,418	3,160

## 8 (LOSS)/EARNINGS PER ORDINARY SHARE

The calculation of (loss)/earnings per ordinary share is based on losses of £10,563,119 (1995 earnings - £1,066,916) and on 106,551,087 (1995 -106,124,109) ordinary shares, being the weighted average number in issue for the year less the shares owned by the ESOP Trust which has waived its entitlement to dividends. (Losses)/earnings are after having allowed for preference dividends.



9 PROPERTY, PLANT AND EQUIPMENT

Group	Property held for investment		Property held for development	Plant and equipment	Total
	Freehold £000	Long leasehold £000			
Cost or valuation:					
1st April 1995	192,695	43,650	7,107	464	243,916
Additions	26,993	56	1,184	193	28,426
Disposals	(2,247)	-	-	(170)	(2,417)
Revaluation deficit	(22,086)	(1,261)	-	-	(23,347)
31st March 1996	195,355	42,445	8,291	487	246,578
Depreciation:					
1st April 1995	-	-	-	209	209
Charge for the year	-	-	-	59	59
Disposals	-	-	-	(50)	(50)
31st March 1996	-	-	-	218	218
Net book value:					
31st March 1996	195,355	42,445	8,291	269	246,360
1st April 1995	192,695	43,650	7,107	255	243,707
Company	£000	£000	£000	£000	£000
Cost or valuation:					
1st April 1995	37,275	500	2,575	383	40,733
Additions	360	5	395	155	915
Disposals	(21,486)	-	(2,970)	(148)	(24,604)
Revaluation deficit	(1,589)	(35)	-	-	(1,624)
31st March 1996	14,560	470	-	390	15,420
Depreciation:					
1st April 1995	-	-	-	139	139
Charge for the year	-	-	-	52	52
Disposals	-	-	-	(40)	(40)
31st March 1996	-	-	-	151	151
Net book value:					
31st March 1996	14,560	470	-	239	15,269
1st April 1995	37,275	500	2,575	244	40,594

Disposals by the Company include properties transferred to a subsidiary undertaking.

Investment properties have been included at their open market values. The valuation has been carried out by external valuers Lambert Smith Hampton.

The historical cost of properties was:

## 10 INVESTMENT IN SUBSIDIARIES

Provision has been made during the year against the cost of the investment in certain subsidiaries to reflect the accumulated effect of losses and revaluation deficits on the underlying net assets.

The following are the principal subsidiary undertakings, all of which have been included in the consolidation:

In each case the subsidiary undertaking has only ordinary share capital and operates in its country of incorporation.

Details of subsidiary undertakings which do not make a material contribution to the assets or results of the Group have been omitted as permitted by section 231(5) of the Companies Act 1985.

## 10 INVESTMENT IN SUBSIDIARIES continued

The Company acquired the entire share capital of Old Hall Estates Group Limited on 16th January 1996.

The vendor was a company in which Graeme Jackson, Neil Ankers and Felix Pole have a beneficial interest.

Goodwill arising on the acquisition amounting to £233,000 has been written off to reserves. The investment has been included in the Company's balance sheet at its fair value.

The consolidated net assets of Old Hall Estates Group Limited at the date of acquisition were as follows:

	Book value £000	Fair value adjustments £000	Fair value to the Group £000
Investment properties	26,155	—	26,155
Other fixed assets	37	—	37
Current assets	531	—	531
Creditors: amounts falling due within one year	(1,001)	(231)	(1,232)
Borrowings	(15,023)	—	(15,023)
	<u>10,699</u>	<u>(231)</u>	<u>10,468</u>
Goodwill arising on acquisition			233
			<u>10,701</u>
Discharged by :			
Issue of 10% unsecured loan stock 2001			10,500
Costs associated with the acquisition			201
			<u>10,701</u>

The fair value adjustment of £231,000 represents creditors not included in the books at the date of acquisition.

Cash flows relating to the acquisition

The cash flows in respect of the purchase of Old Hall Estates Group Limited were as follows:

	£000
Costs of acquisition	201
Less: cash included in assets acquired	(39)
Net cash outflow in respect of the acquisition	<u>162</u>

During the period from 16th January 1996 to 31st March 1996 the acquisition contributed £385,000 to the Group's net operating cashflows, absorbed £480,000 in respect of returns on net investments and servicing of finance and utilised £70,000 for investing activities. The consolidated loss after tax of Old Hall Estates Group Limited and its subsidiaries in the period from 1st April 1995 to 16th January 1996 was £107,000 and from 16th January 1996 to 31st March 1996 was £95,000.

## 11 OTHER INVESTMENTS

Group	Own shares £000	Associated undertaking £000	Endowment policies £000	Listed on The London Stock Exchange £000	Other £000	Total £000
1st April 1995 as previously reported	-	10,452	97	3,320	159	14,028
Adjustment for own shares held by ESOP Trust	1,444	-	-	-	-	1,444
1st April 1995 as restated	1,444	10,452	97	3,320	159	15,472
Exchange rate adjustment	-	1,982	-	-	-	1,982
Additions	-	-	10	184	-	194
Disposals	-	-	-	(2,336)	-	(2,336)
Provision	-	-	-	(626)	-	(626)
Share of loss retained by associated undertaking	-	(2,479)	-	-	-	(2,479)
31st March 1996	1,444	9,955	107	542	159	12,207
Company	£000	£000	£000	£000	£000	£000
Cost:						
1st April 1995 as previously reported	-	1,386	-	2,716	49	4,151
Adjustment for own shares held by ESOP Trust	1,444	-	-	-	-	1,444
1st April 1995 as restated	1,444	1,386	-	2,716	49	5,595
Disposals	-	-	-	(1,761)	-	(1,761)
Provision	-	-	-	(626)	-	(626)
31st March 1996	1,444	1,386	-	329	49	3,208

Comparative figures have been restated to comply with the requirements of Urgent Issues Task Force Abstract 13 "Accounting for ESOP Trusts". The restatement has the effect of including the 1,447,500 shares in the Company held by the Company's Employee Share Ownership Plan Trust as an investment whereas in previous years a debtor had been included in the accounts representing the amount due from the Trust in respect of funds provided to purchase the shares. The shares have been included at their original cost to the Trust less a provision equivalent to the provision made in previous years against the balance due by the Trust. Further details of the Trust are given in the Report of the Directors.

The associated undertaking is:

	Proportion of share capital held		
	Business	By the Company	By the Group
Incorporated in Australia:			
Titan Resources NL	Mining	3.81%	30.16%

The investment in Titan Resources NL is included at the fair value of the Group's share of the net assets at the time of the acquisition less the Group's share of the retained loss since that date. The share capital of Titan Resources NL which comprises only ordinary shares is listed on the Australian Stock Exchange Limited. The Group's investment had a market value of £4,009,000 at 31st March 1996 (1995 - £3,458,000).

11 OTHER INVESTMENTS continued

The endowment policies are stated at the total premiums paid and at 31st March 1996 had a surrender value of £110,705 (1995 - £94,686).

Listed investments are included at cost less a provision of £626,000. The market value at 31st March 1996 was £533,000 (1995 - £2,623,000) based on mid market price.

12 STOCKS

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Building works in progress	602	464	-	-

13 DEBTORS

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Trade debtors	2,511	6,062	267	907
Amounts owed by group companies	-	-	77,836	85,521
Other debtors	3,618	2,314	3,198	1,964
Prepayments and accrued income	612	1,770	174	186
	6,741	10,146	81,475	88,578

The comparative figure for other debtors has been restated to exclude an amount falling due after more than one year from the Employee Share Ownership Plan Trust. The loan, which is interest free and has no fixed date for repayment, amounted to £2,187,000 against which a provision of £743,000 had been made. To comply with the requirements of Urgent Issues Task Force Abstract 13 "Accounting for ESOP Trusts" the shares owned by the Trust have been included as investments of the Company.

In 1990 Hampton Trust PLC disposed of a property for £13,250,000, part of which was left outstanding by the purchaser and was secured by a second charge over the property. The purchaser failed to make payment of a total amount of £3,740,000. The holder of the first charge exercised its power of sale in March 1993 for a price sufficient only to repay the amount owed to that chargeholder.

The Group has commenced litigation against the holder of the first charge but because the outcome of this matter cannot be predicted with certainty the Board has decided to provide against the outstanding balance noted above. The provision has been included in the profit and loss account as an exceptional item.

## 14 CASH AND CASH EQUIVALENTS

	1996	1995	Change in year	Change in previous year
	£000	£000	£000	£000
Bank loans and overdrafts (note 15)	(11,162)	(11,168)	6	(9,545)
Less: bank loans	10,885	9,597	1,288	9,179
Bank overdrafts	(277)	(1,571)	1,294	(366)
Cash at bank and in hand	24,093	32,677	(8,584)	(2,313)
	23,816	31,106		
Decrease in cash and cash equivalents			(7,290)	(2,679)

## 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Bank loans and overdrafts (note 18)	11,162	11,168	9,422	10,639
Trade creditors	227	4,133	-	4,133
Amounts owed to group companies	-	-	76,603	82,502
Other creditors	7,352	7,347	196	206
Corporation tax	241	1,061	120	886
Other taxes and social security costs	8,627	6,016	404	397
Accruals and deferred income	9,910	8,261	2,197	2,081
Proposed dividends	-	1,789	-	1,789
	37,519	39,775	88,942	102,633

Bank loans and overdrafts include £11,111,000 (1995 - £11,050,000) secured on certain of the Group's properties. Of the Company's loans and overdrafts £9,405,000 (1995 - £10,639,000) was secured on properties.

## 16 DEBENTURE STOCK AND LOANS

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
10.5% First Mortgage Debenture Stock 2025	99,327	99,327	—	—
Other mortgage loans	728	741	—	—
Bank loans	53,509	25,694	16,300	21,300
	153,564	125,762	16,300	21,300

Bank loans for the current year include £10,500,000 in respect of the unsecured loan stock 2001 issued in connection with the acquisition of Old Hall Estates Group Limited. All other bank loans are secured on properties.

## 17 CONVERTIBLE UNSECURED LOAN STOCK

The stock comprises 8 per cent. Convertible Unsecured Loan Stock 2020.

	Group		Company	
	Nominal value £000	Book value £000	Nominal value £000	Book value £000
1st April 1995	31,195	31,232	31,195	31,232
Market purchases of stock for cancellation	(925)	(926)	(925)	(926)
31st March 1996	30,270	30,306	30,270	30,306

The stock in issue may be converted at the option of the holders into fully paid Ordinary shares of 5p each at the rate of 117.647 Ordinary shares per £100 nominal of stock. The conversion date is 31st October in any of the years 1998 to 2020 both inclusive.

The Company is required to redeem at par all the outstanding unconverted stock on 31st December 2020.

## 18 LOANS AND OVERDRAFTS

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Loans and overdrafts included in notes 15 to 17 are repayable as follows:				
in under one year	11,162	11,168	9,422	10,639
in one to two years	33,237	78	—	—
in two to five years	21,000	4,063	16,300	3,600
in over five years	129,633	152,853	30,306	48,932
	195,032	168,162	56,028	63,171
Wholly repayable within five years	65,399	15,309	25,722	14,239
Not wholly repayable within five years	129,633	152,853	30,306	48,932
	195,032	168,162	56,028	63,171

Loans not wholly repayable within five years include:

- (i) the 10.5% First Mortgage Debenture Stock 2025.
- (ii) the 8 per cent. Convertible Unsecured Loan Stock 2020

18 LOANS AND OVERDRAFTS continued

Analysis of changes in Group loan financing during the year:

	1996 £000	1995 £000
1st April 1995	168,162	172,752
Repayment of mortgage loans	(52)	(3,556)
Repayment of bank loans	(1,506)	(1,400)
Drawdown of bank loans	5,125	-
Market purchases of convertible unsecured loan stock (book value)	(926)	-
Loans of subsidiaries at acquisition	15,023	-
Loan note issued on acquisition of subsidiaries	10,500	-
Movement in overdrafts (note 14)	(1,294)	366
31st March 1996	195,032	168,162

19 DEFERRED TAXATION

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
The deferred tax liability comprises:				
Accelerated capital allowances	396	13	396	13
Other differences in recognising revenue and expense items in other periods for taxation purposes	-	658	-	-
Provision for taxation on revaluation surpluses on properties intended to be sold	-	340	-	340
Tax losses brought forward from earlier periods	(396)	(1,011)	(396)	(353)
	-	-	-	-

In the event that revalued properties were to be sold as valued a liability to corporation tax in respect of chargeable gains and capital allowances would arise of approximately £5,895,000 (1995 - £7,592,000) after allowing for £20 million of the various tax losses available (see note 6). Of this amount £Nil (1995 - £Nil) relates to the holding company.



20 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1996 No.	1995 No.	1996 £000	1995 £000
Equity shares				
Ordinary shares of 5p each	177,000,000	177,000,000	5,419	5,389
Non-equity shares				
Preferred shares of 50p each	60,000	60,000	30	30
5½% (net) Cumulative Convertible Redeemable Preference shares of £1 each	40,770,000	40,770,000	8,708	8,708
			14,157	14,127

387,017 Ordinary shares were issued pursuant to scrip dividend elections in respect of the final dividend for the year ended 31st March 1995 and 222,310 Ordinary shares were issued pursuant to scrip dividend elections in respect of the interim dividend for the year ended 31st March 1996.

Details of the Company's share option scheme adopted on 29th July 1987 are included in the Report of the Directors.

6,109,926 warrants have been issued entitling the holders to subscribe for Ordinary shares at a price of 115p per share at any time up to 30th September 1997.

Details of the conversion terms of the 8 per cent. Convertible Unsecured Loan Stock 2020 are given in note 17.

The 5½% (net) Cumulative Convertible Redeemable Preference shares may be converted at the option of the shareholders into Ordinary shares of 5p each on the basis of 38.4615 Ordinary shares for every £100 in nominal amount of Convertible Preference shares. Conversion dates are 31st October in any year up to and including 2015.

On a winding-up commenced before the final conversion date holders of Convertible Preference shares, subject to the priority of the Preferred shares, are entitled to repayment of the capital paid up on their shares and, rateably with holders of Ordinary shares, are entitled to share in any further assets available for distribution (after first paying to holders of Ordinary shares an amount equal to any such capital repayment) on the basis of an assumed conversion of their shares.

Holders of Convertible Preference shares are entitled to vote at general meetings of the Company only if the dividends on their shares are six months or more in arrears or on resolutions concerning their rights or privileges.

The Company is required to redeem at par all the outstanding unconverted Convertible Preference shares on 30th June 2016 and may redeem at par all the outstanding unconverted Convertible Preference shares at any time after the conversion date in 2015.

Holders of Preferred shares are entitled to a fixed non-cumulative preferential dividend of 7½% (net) and on a winding-up are entitled only to the repayment of the capital paid up on their shares. These rights are in priority to those of all other classes of share and the shares also entitle their holders to attend and vote at general meetings of the Company.

21 RESERVES

	Group £000	Company £000
Share premium		
1st April 1995 and 31st March 1996	63,047	63,047
Revaluation reserve		
1st April 1995	17,423	(10,401)
Realised on disposal of property	(1,174)	9,537
Negative reserves now considered permanent transferred to Profit and Loss account	14,556	1,121
Deficit on revaluation at 31st March 1996	(21,823)	(100)
31st March 1996	8,982	157
Capital redemption reserve		
1st April 1995	31,136	31,136
Less: utilised on issue of 609,327 Ordinary shares issued pursuant to scrip dividend elections	(30)	(30)
31st March 1996	31,106	31,106
Reserve arising on consolidation		
1st April 1995	(1,899)	-
Goodwill written off on acquisition of subsidiary undertaking	(233)	-
31st March 1996	(2,132)	-
The cumulative amount of goodwill written off at 31st March 1996 is £5,594,000 (1995 - £5,361,000)		
Other reserves		
1st April 1995 and 31st March 1996	(22,451)	(21,192)
Profit and loss account		
1st April 1995	6,168	35,377
Gain on exchange re Titan Resources NL	1,982	-
Realised on disposal of property	1,174	(9,537)
Provisions for permanent diminution in property values transferred from Revaluation Reserve	(14,556)	(1,121)
Savings due to scrip dividend elections	260	260
Retained deficit for the year	(11,502)	(40,372)
31st March 1996	(16,474)	(15,393)

# FIVE YEAR RECORD

At year end 31st March 1996

	1996 £000	1995 £000	1994 £000	1993 £000	1992 £000
Fixed assets:					
Property	246,360	243,452	243,084	211,046	242,893
Other	12,207	15,727	16,051	21,104	19,703
Net current assets	1,538	5,366	21,790	14,232	17,565
	260,105	264,545	280,925	246,382	280,161
Financed by:					
Ordinary share capital	5,419	5,389	5,373	4,612	4,617
Reserves	62,078	93,424	95,813	81,584	97,837
Ordinary shareholder's funds	67,497	98,813	101,186	86,196	102,454
Non-equity interests	8,738	8,738	8,738	8,739	8,739
Convertible unsecured loan stock	30,306	31,232	31,232	-	-
Debenture stock	99,327	99,327	99,327	99,327	99,327
Share and loan capital	205,868	238,110	240,483	194,262	210,520
Other non current liabilities, provisions and minority interests	54,237	26,435	40,442	52,120	69,641
	260,105	264,545	280,925	246,382	280,161
Total turnover	20,046	18,829	22,248	31,753	81,078
Rental income	19,495	17,676	16,484	17,325	19,095
(Loss)/profit before tax	(9,886)	2,004	5,032	513	780
(Loss)/profit after tax	(10,084)	1,547	4,663	(225)	439
Ordinary dividends	939	2,679	2,438	3,857	3,799
(Loss)/earnings per share	(9.91p)	1.00p	4.19p	(0.59p)	(0.66p)

Other fixed assets, net current assets and earnings per share for 1992 to 1995 have been adjusted for the change in accounting presentation, made in the current year, in respect of shares in the Company held by the Company's Employee Share Ownership Plan Trust.

Profits and earnings per share for the years ended 31st March 1992 and 1993 have been adjusted for the change in accounting policy for disposals of investment properties which took place in the year ended 31st March 1994.

Ordinary dividends for the years ended 31st March 1992 to 1994 have been adjusted for the change in accounting policy concerning the recognition of scrip dividends which took place in the year ended 31st March 1995.