

# Five Year Financial Highlights

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		1979	1978	1977	1976	1975
<b>Operating Results</b>	Total Revenue (in \$000)	533,708	347,702	155,743	123,176	102,939
operating restants	Net Income (in \$000)	43,835	16,720	10,551	7,772	6,694
	Earnings per Common Share (in \$)	2.28	.90	.56	.39	.33
	Cash Flow (in \$000)	81,925	35,814	23,855	15,259	13,755
	Cash Flow per Common Share (in S)	4.40	1.96	1.29	.79	.70
Financial	Total Assets (in \$000)	1,222,364	653,622	464,306	278,161	216,677
Performance	Income Properties (in \$000)	445,013	307,738	228,069	107,350	76,315
	Shareholders' Equity:					
	Historic Cost (in \$000)	124,084	72,384	34,321	25,589	19,319
Net Market Value (in \$000)*		315,739	184,645	96,876	77,647**	N/A
	Net Market Value of Assets per					
	Common Share (in S)*	15.09	8.68	5.16	4.06**	N/A
	Total Liabilities/Shareholders' Equit	y:				
	Historic Cost	$8.85 \times$	$8.03 \times$	$12.53 \times$	$9.87 \times$	$10.22 \times$
	Net Market Value*	4.09×	$3.76 \times$	$5.08 \times$	3.92×*	* N/A
	Interest Coverage (expense basis)	3.52×	2.53×	2.74×	2.98×	3.06×
Common Share	Price (in \$):					
Data	High	20.75	7.25	3.25	1.05	0.66
	Low	5.38	2.94	0.88	0.61	0.38
	Trading Volume:					
	Number of Shares (in 000's)	5,285	1,603	642	548	397
	Dollar Value (in \$000)	70,270	17,407	7,323	4,416	3,495
	Dividends Paid (in S)	0.14	0.0575	0.0325	_	0.020
	Number of Shareholders					
	at October 31	2,571	1,534	1,012	1,065	1,178
Applied to the second of the s			1955		2001/200	CAN CALL BUR

<sup>\*</sup>After allowance for income taxes at 50%.

All per share data adjusted for stock splits.

 $<sup>\</sup>ensuremath{^{**}}\textsc{Based}$  upon independent appraisals as at January 31, 1977.

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### President's Report

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ineteen seventy-nine was the most successful

year in the Company's 15-year history, with substantial growth in earnings, cash flow, income properties, total assets and, most significantly, net market value of assets. By year-end, the Company had also built up substantial cash reserves and achieved a stronger capital base from which to deal with the unsettled economic climate facing us as we enter the 1980's.

The Company's growth in the United States sun belt and along the west coast continued throughout the year, with the result that we now have more employees in the United States than in Canada. We also continued to expand our operations in western

Canada, especially in Alberta whose energybased economy is one of the most vibrant in North America.

Total revenue increased by 53%, earnings per share by 153%, cash flow per share by 124% and total assets by 87% from 1978, as indicated in the five-year financial highlights on the inside front cover. Shareholders' equity, through retention of earnings and increase in paid-up capital, rose by 71% and now stands at \$124 million on the basis of historic cost.

# Market Value of Assets

We continue to stress the importance of market value of assets rather than book value when determining the Company's worth or measuring the investment and operating performance of management.

As in previous years, an independent valuation by qualified real estate appraisers of all Daon's interests in real estate was completed as at October 31, 1979. Based on these appraisals and the quoted value of listed securities, the total market value of Daon's holdings exceeds book value by \$383 million at fiscal year-end. After allowing for taxes at 50% on the excess, shareholders' equity at market value increased during the year to \$316 million.

During 1979,
Daon's excess of market
value over book value of
assets increased by almost \$160 million while
pre-tax income totalled
approximately \$80 million. Thus it is apparent
that the Company recorded in realized net
income only one-third of
its investment and
operating performance
for the year.

On a common share basis, the net market value of assets after taxes increased by 74% over the past year from \$8.68 to \$15.09 per share at October 31, 1979. This growth compares with the 68% increase achieved during 1978.

Corporate Growth and Organization While it is Daon's style to look to the future rather than the past, we thought it might be both interesting and useful to reflect on the Company's performance during its 15-year history.

The principal reason for our growth to date has been the ability to respond to changing market conditions and to take advantage of opportunities when and where they arise. We have tried to avoid becoming permanently wedded to any one market or product line, never losing sight of the fact that we provide a basic

necessity of life, namely shelter. We have grown by moving selectively into larger projects and by expanding geographically. We have succeeded in maintaining a lean but highlymotivated management team and have avoided becoming a labour-intensive organization.

Over the past five vears alone our assets have grown to \$1.2 billion from \$189 million, total revenue has grown to \$534 million from \$65 million and net income to \$44 million from \$3 million. More recently, we became increasingly conscious of the challenge the Company would face in adapting the organization to handle this type of growth in the future. It was apparent that business was becoming more complex and that the organizational structure would need to change to cope with the increasing level of activity. More sophisticated financial controls would be required and additional professional management would be

needed to provide support services to the entrepreneurial developers in the organization. We, therefore, embarked on a program to add more depth and breadth to the organization, particularly at the corporate level, and I am happy to say that this has been achieved.

Daon has historically structured its development activities along regional or geographic lines. Just over a year ago, we made the first departure from this approach by moving to a functional operating style for our shopping centre and property management activities. Recently, we took a further step in this direction by functionalizing our office, industrial, residential and land development activities.

#### President's Report (continued)

This new structure will allow product specialists to concentrate on their particular real estate expertise and should further improve our competitive performance.

B usiness Strategy Over the past two years, we have seen the results of careful long-range cash planning aimed at providing the Company with substantial cash reserves while also expanding its real estate asset base. The objective was to achieve a position whereby we could take advantage of those excellent buying opportunities which would undoubtedly arise during a market downturn -a position which would also provide a healthy buffer against

periods of reduced sales

activity or tight and

expensive money. All

indicators were that these conditions would arise as a result of governments' determination to attack increasing inflation in the North American economy. I would draw your attention, therefore, to the substantial level of liquid resources accumulated over the year, as outlined in the financial statements. In addition Daon's operating bank lines, available but unutilized. were over \$60 million.

Daon continues to concentrate and balance its resources on three complementary segments of business, namely land for development—a source of cash; condominium homes for sale—a source of cash; and income properties for investment—a place to invest our cash and provide shelter from current income taxes.

Our income property activities continue to increase, not only in total assets but in terms of quality, size and diversification of project, both geographically and by project type. The Company's objective is to continue to increase the proportion of assets invested in income properties with the greatest appreciation potential. Daon has development capacity and opportunities in excess of its financial capacity to retain all properties developed within its own portfolio. Consequently, we selectively sell certain properties to other investors when, in our judgement, we feel we can more profitably invest the proceeds in alternative opportunities.

# D ividends

The Company's policy, adopted in 1977, is to pay out a minimum of 10% of prior year's net earnings in the form of common share dividends. In accordance with this policy, quarterly dividends of 2¢, 3¢, 4¢ and 5¢, respectively, were paid in 1979. On December 13, 1979, the Board of Directors approved a quarterly cash dividend of 5¢ per share

payable January 25, to all common shareholders of record at January 10, 1980. The Board also recommended that, subiect to shareholder approval at the 1980 Annual General Meeting, common shareholders be given the option of receiving dividends payable after January 25, 1980, in the form of common stock in lieu of cash. This will give shareholders increased flexibility as to timing and form of taxation applicable to the growing dividends on Daon common shares.

**S** hare Purchase Program

The Company has a policy of directing approximately 10% of prior year's net earnings to the purchase of Daon common shares on the open market. These purchases take place only during those periods between the release of a quarterly or annual report and the end of the

quarter in which the report is released. During the past year, 113,320 shares were purchased at an average cost of \$14.96 per share. It should be noted that these purchases represent less than 1 percent of the common shares outstanding and approximately 2 percent of the total Daon common shares traded during fiscal 1979.

S tock Splits

On February 23, 1979, the Company's common shares were subdivided two-for-one. The Directors have recommended a further two-for-one split, subject to shareholder approval at the 1980 Annual General Meeting. If approved, common shares should begin trading on the split basis on February 11, 1980. By increasing the number of shares outstanding, the liquidity of the Company's stock has continued to improve. During fiscal 1979, 5,285,000 shares of the Company's common stock traded on the four Canadian stock exchanges on which Daon shares are listed.

Outlook for 1980

While it will be a difficult task to emulate the records set in 1979, we look forward to 1980 with optimism. We have diverse inventories of excellent product in economically sound areas of the continent, we have substantial cash reserves and we have the confidence of our lenders—all these factors should contribute to an outstanding 1980.

On Behalf of the Board, J. W. Poole, President and Chief Executive Officer.

December 13, 1979.

### Office Buildings



Largest of several office structures that the Company had under construction in

1979, this 38-storey building at 444 Market Street, in downtown San Francisco, will be completed early in 1980.

T

he Company develops and acquires office build-

ings for retention in its income property portfolio and in some cases for sale to other investors.

At October 31st, 1979, Daon had under development 1,402,000 square feet of office space, excluding partners' interests. In addition the Company owns 1,395,000 net square feet of completed space in Alberta, British Columbia, Ontario and California.

During 1979, Daon completed three office developments totalling

320,000 square feet in California, including Daon Centre, the Company's U.S. corporate headquarters in Newport Beach. This two-building complex, 148,000 square feet of prime space, was substantially leased prior to completion and was sold during the year.

The largest of the office projects ever undertaken by Daon is 444 Market Street, a 38-storey tower under construction in the heart of downtown San Francisco. Already fully leased, this joint venture project with The Cadillac Fairview Corporation Limited, will be completed in March, 1980. Also underway and scheduled for completion in 1981 are Chevron

Plaza, a 24-storey building in downtown Calgary, and a 19-storey tower in downtown Seattle.

Daon's new corporate headquarters is a 19-storey golden glass tower on a choice site overlooking the harbour in downtown Vancouver. With completion six months away, the building was more than 70 per cent committed to occupancy.



♦ 444 Market Street, San Francisco, California.



© Chevron Plaza (under construction) and the Daon Building, Calgary, Alberta.





Paradise Point Executive Center, Marin County, California.



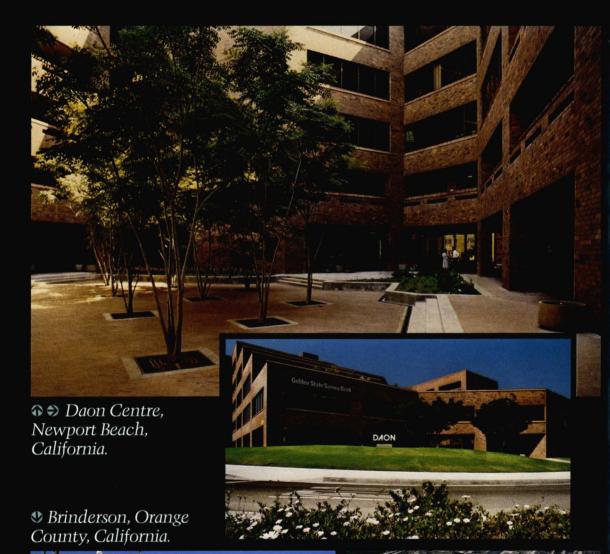




♠ Battery ♠ Sacramento Site, San Francisco, California.

**♦ №** Burrard & Hastings, Vancouver, British Columbia.







⇒ Eighth & Olive, Seattle, Washington.

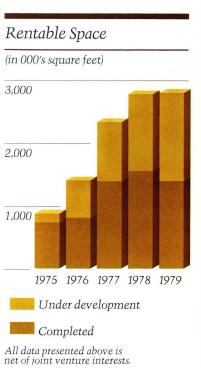


# Office Buildings

Major Properties			
Name Alberta	Location	Year(s) of Completion of Development	Rentable Area (Sq. ft.
Alberta			
CHEVRON PLAZA*	Calgary	1981	267,000
DAON BUILDING	Calgary	1975	167,000
McLEAN BLOCK	Edmonton	1979	25,000
SEVENTH STREET PLAZA	Edmonton	1978	329,000
British Columbia		-	
BURRARD & HASTINGS	Vancouver	1980	203,000
1050 WEST PENDER	Vancouver	1975	247,000
TSAWWASSEN PROFESSIONAL BUILDING**	Delta	1980	45,000
California			
444 MARKET STREET**	San Francisco	1980	589,000
HERITAGE PARK	Alameda County	1980	100,000
PACIFIC I**	San Francisco	1978	175,000
PACIFIC II**	San Francisco	1981	213,000
PARADISE POINT EXECUTIVE CENTER	Marin County	1980	59,000
SENATOR BUILDING	Sacramento	1981	221,000
WALNUT CREEK PLAZA***	Contra Costa County	1978/79	155,000
Ontario			
TORONTO PROFESSIONAL BUILDINGS	Toronto	Acquired in 1977	401,000
Washington			
EIGHTH & OLIVE	Seattle	1981	262,000

BUILDING."			
California			
444 MARKET STREET**	San Francisco	1980	589,000
HERITAGE PARK	Alameda County	1980	100,000
PACIFIC I**	San Francisco	1978	175,000
PACIFIC II**	San Francisco	1981	213,000
PARADISE POINT EXECUTIVE CENTER	Marin County	1980	59,000
SENATOR BUILDING	Sacramento	1981	221,000
WALNUT CREEK PLAZA***	Contra Costa County	1978/79	155,000
Ontario			
TORONTO PROFESSIONAL BUILDINGS	Toronto	Acquired in 1977	401,000
Washington			
EIGHTH & OLIVE	Seattle	1981	262,000
*The Company has agreed to sel conditions which at December	l a 50% interest in this property to 13, 1979 had not been finalized.	the major tenant subj	ect to

<sup>\*\*50%</sup> interest.



<sup>\*\*\*75%</sup> interest.

# Shopping Centres



Daon's move into regional shopping centre development during 1979 began with

Coquitlam Centre, one of western Canada's largest shopping centres.



hile the Company has been developing shopping

centres since 1974, its operations in this field have gained momentum and visibility over the past two years by advancing from neighbourhood and community size centres to a number of full-scale regional malls.

Daon's shopping centre portfolio is geographically diverse, with ten centres in nine western Canadian cities and four smaller centres in southern California.

The opening of the Coquitlam Centre, in August, 1979, signalled Daon's entry into the regional shopping centre development field. Anchored by three major department stores, this successful centre, in which the Company holds a 50 percent interest is located in Coquitlam, a

region of substantial population growth, 15 miles east of downtown Vancouver.

During 1979, Daon embarked on the development of four other regional centres. Three are in the "energy" province of Alberta. Whollyowned projects are underway in Edmonton and Calgary and the Company holds a 75 per cent interest in a centre on which construction will soon start in Red Deer. A fourth, now under construction in North Bay, Ontario, is 50 per cent owned by Daon.

These four centres, including Phase II at North Bay for which development application has been filed with regulatory bodies, will produce 1,955,000 net square feet of shopping centre space, almost tripling Daon's current holdings of 1,053,000 net square feet.

The Company considers a well-located shopping centre to be the most inflation proof real estate asset available because it is a self-

indexing income property. Rents are usually predicated on a percentage of sales, with the result that the Company's revenue from these assets rises with inflation.

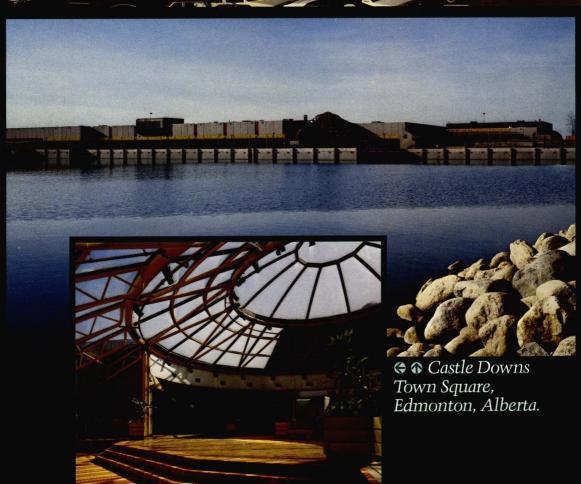
While in the immediate future Daon expects to confine its shopping centre development activity mainly to Canada, the Company will respond to opportunities anywhere in North America provided financeable lease agreements can be concluded with major department stores. Shopping centres will be an area of special emphasis for the Company over the next several years.





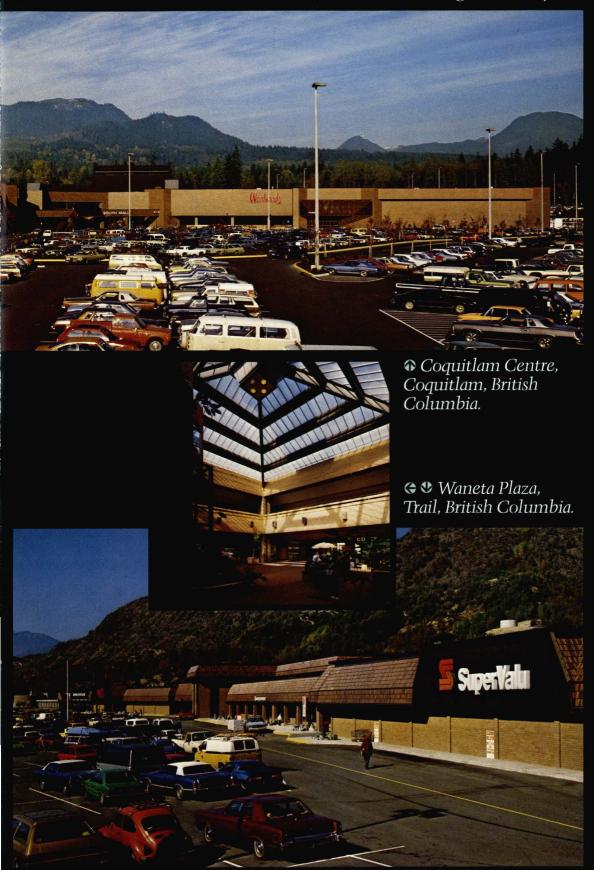
⇔ Wetaskiwin Mall, Wetaskiwin, Alberta.







♦ Agoura Town Center, Los Angeles County.







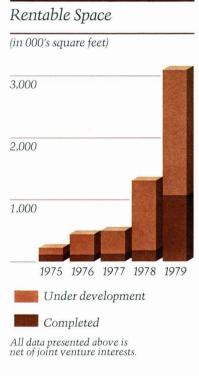
Sunridge Mall Site, Calgary, Alberta.

Kaskitayo Centre Site, Edmonton, Alberta.



# Shopping Centres

Name	Location	Year(s) of Completion of Development	Rentable Area (Sq. ft.
Alberta			
BOWER PLACE*	Red Deer	1981	400,000
KASKITAYO CENTRE	Edmonton	1981	795,000
PLAZA 100	Edmonton	1979	19,000
SUNRIDGE MALL	Calgary	1981	650,000
wetaskiwin mall	Wetaskiwin	1979	146,000
British Columbia			
COQUITLAM CENTRE**	Coquitlam	1979	722,000
LANGLEY MALL***	Langley	1975	132,000
VALLEY FAIR**	Haney	1979	108,000
waneta plaza	Trail	1979	193,000
California			
AGOURA TOWN CENTER**	Los Angeles County	1979	91,000
AMAR-NOGALES	Los Angeles County	1981	109,000
EUCLID PLAZA**	San Bernardino County	1980	35,000
ROSE PLAZA	Orange County	1980	15,500
Manitoba			
PORTAGE LA PRAIRIE MALL	Portage La Prairie	1979	190,000
Ontario			
NORTHGATE SQUARE PHASES I & II**	North Bay	1980/81	420,000
*75% interest.			
**50% interest.			
***33½% interest.			



## Residential Properties



Daon's concentration on condominium conversion is demonstrated by The Ver-

sailles, a garden apartment project overlooking the Pacific Ocean in Newport Beach, California. T

he Company continues to be very active in the residen-

tial field. An important segment of Daon's total operations is the acquisition of existing multiple-family rental properties for rehabilitation, conversion and sale, primarily as condominiums or upgraded investment properties.

The Company operates these residential projects as income properties during the approval process, and until market conditions and corporate scheduling facilitate their eventual sale.

During the fiscal year, residential sales

totalled 4,261 net units in the following geographic markets: 2,589 units in Southern California; 386 units in Northern California; 386 units in Dallas; 170 units in the Seattle area and 730 units in Vancouver. In addition, at October 31, 1979, the Company had sales agreements for 1,197 units yet to close.

Daon is well positioned to market condominium homes in future years with an inventory of residential properties totalling 7,365 units at fiscal year-end, including those in the income property portfolio, those under active development and those currently being marketed. In addition, 7,865

units are held under option or in escrow for potential purchase.

California remains Daon's most active condominium conversion market. A recent major acquisition of 1,822 units in the Sacramento area includes a variety of projects with high marketing potential. Apart from California and the areas previously mentioned, the Company has holdings in Albuquerque, Oklahoma City, southern Florida and Calgary.

70 /		D	. •
Mai	or	Pro	perties
1110		110	

/ 1			
Name  Alberta	Location	Description	Year(s) of No Acquisition Un or Completion of Development
GREENWOOD VILLAGE I-III*	Calgary	Mobile home park	1976 47
HAYS FARM III & V	Calgary	Garden apartments	1974/77 25
British Columbia			
LANGARA ESTATES	Vancouver	Townhouses and apartments	1979
TIMBERLEA	Burnaby	High rise	1976 12
*50% interest.		4	





- ⇔ Hays Farm, Calgary, Alberta.
- Towne Square, King County, Washington.





- Langara Estates, Vancouver, British Columbia.
- Wedgewood Manor, Seattle, Washington.





- ♠ Lakewood Shores, King County, Washington.
- ⇔ Governor's Square, Sacramento, California.
- The Versailles, Newport Beach, California.



*⇔* Sandpiper, Seattle, Washington.

♥ Coté d'Azur, Sausalito, California.



⇔ Heritage of Fresno, Fresno County, California.

Woodside, Sacramento, California.





The Arbor, Orange County, California.



Turtlecreek Terrace, Dallas, Texas.



• Park Lane, Dallas, Texas.

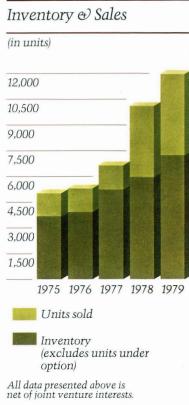


**♦ Gold Crest**, Dallas, Texas.



# Residential Properties

Name	Location	Description	Year of Acquisition or Completion of Developmen	
California				
ALPHA TERRACE	Los Angeles County	Garden apartments	1979	101
ANDERSON PLACE I & II	Davis	Garden apartments	1978	240
COTÉ D'AZUR	Sausalito	Garden apartments	1979	60
CRANBROOK COURT	Davis	Garden apartments	1978	376
fremont oaks	Alameda County	Garden apartments	1978	226
Governor's square east & west	Sacramento	Garden apartments	1978	302
HERITAGE HOUSE	Davis	Garden apartments	1978	161
HERITAGE OF FRESNO	Fresno County	Low rise	1978	48
LAKEPOINTE	Santa Clara	Garden apartments	1979	478
LINDENWOOD	Los Angeles County	Low rise	1978	198
NEWCASTLE MANOR	Los Angeles	Low rise	1979	280
SOUTH COAST TERRACE	Orange County	Garden apartments	1978	256
SOUTH COAST VILLAS	Orange County	Garden apartments	1978	304
SYCAMORE GARDENS	Orange County	Garden apartments	1979	100
SYCAMORE LANE	Davis	Garden apartments	1978	182
THE ARBOR	Orange County	Garden apartments	1979	124
THE VERSAILLES	Newport Beach	Garden apartments	1979	255
WOODSIDE I-IV	Sacramento	Garden apartments	1978	561
New Mexico				
PARK PLAZA	Albuquerque	High rise	1979	138
PUEBLO VILLAS	Albuquerque	Garden apartments	1978	232
Texas				
GOLD CREST	Dallas	Luxury high rise	1979	58
PARK LANE**	Dallas	Townhouses	1978	189
RIVER OAKS	Dallas	Garden apartments	1979	270
THE HAVENS	Fort Worth	Garden apartments	1979	104
TURTLECREEK TERRACE	Dallas	Low rise	1979	115
williamsburg i & ii	Dallas	Garden apartments	1978	148
WOODHAVEN I	Fort Worth	Garden apartments	1979	114
Washington	*	·		
SOUTH POINTE	Snohomish County	Garden apartments	1979	249
TOWNIE COLLADE	King County	Garden apartments	1979	106
towne square	Times Country	1		
WEDGEWOOD MANOR	Seattle	Garden apartments	1979	180



## Industrial Development



With 16 completed buildings, Daon's Norwester Industrial Estates in northwest

Edmonton, continues to respond to the strong demand for warehouse/office buildings in Alberta's capital city. This is one of an additional six buildings under development.



or several years, the province of Alberta, with

its booming, resourcespurred economy, has provided one of the continent's most attractive markets for industrial land and buildings. It is to Alberta that the bulk of the Company's efforts in this field continues to be directed.

The Company's move into the industrial market in Alberta began in 1972 with the acquisition of several hundred acres of land in northwest Edmonton. This was followed by a number of land acquisitions in Calgary which today makes up Horizon Industrial Estates. A specific example of Daon's progress in this field is the Norwester Industrial Estates in Edmonton where the Company has constructed in excess of

1,069,000 square feet of warehouse/office space in 16 buildings, of which 9 buildings of 442,000 square feet have been retained in the Company's income property portfolio.

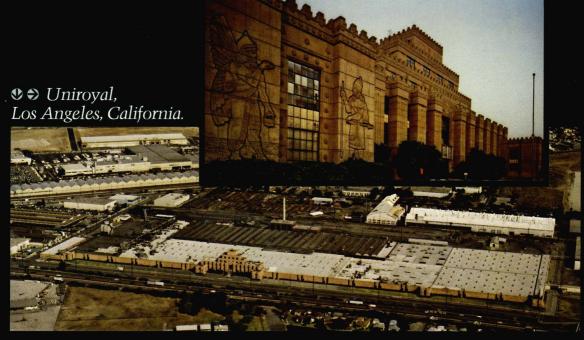
As projects are brought to market, additional industrial acreage is assembled and industrial space developed. For example, during the 1979 fiscal year, Daon sold 79 acres of industrial land and 35,000 square feet of industrial space in Alberta, but at October 31, 1979, still had under development a further 350,000 square feet of industrial space and held 848 net acres of industrial land for future development, mostly in Edmonton and Calgary.

In addition to Alberta, Daon has found opportunities for the development and marketing of industrial properties in southern California. The Company's holdings in California at October 31, 1979, included 43 net acres under development with a further 99

net acres held for future development. The Company is in the process of completing and bringing to market about one million square feet of industrial space in four joint venture projects, two in Orange County and two in San Diego County. These will comprise 56 acres and 43 buildings.

Daon also has several smaller industrial projects underway in British Columbia and Washington State. At October 31, 1979, Daon's total industrial holdings consisted of 483,000 square feet of completed space, 1,471,000 square feet under development, 264 acres of land under development, 1,326 acres of land held for future development and 311 acres under option.







• McGaw, Orange County, California.



• Miramar Business Park, San Diego, California.

Norwester Industrial Estates, Edmonton, Alberta.



# Industrial Development

Major Properties			
Name	Location	Year(s) of Completion of	Rentable Area (Sq. ft.)
Alberta		Development	
BROADMOOR CENTRE	Edmonton	1978	41,000
NORWESTER INDUSTRIAL PHASE I	Edmonton	1977-79	442,000
norwester industrial Phase II	Edmonton	1980	350,000
California			
CENTRAL D & C*	San Bernardino County	1980	107,000
IRVINE INDUSTRIAL*	Orange County	1980	168,000
MIRAMAR BUSINESS PARK*	San Diego	1980	140,000
NEWHOPE INDUSTRIAL	Orange County	1979	140,000
RANCHO SAN DIEGO BUSINESS PARK*	San Diego County	1980	566,000

(in 00	00's sqı	ıare fe	et)		
1,400	) i				
1,200	).				
1,000					
800					
600					
400					
200					
	1975	1976	1977	1978	1979
	Und	er dev	elopm	ent	
	Com	pleted	l		
All do	ita prese joint v	ented a enture	bove is interes	ts.	

Industrial Land				
Name  Alberta	Location	Year(s) of Acquisition	Size	Scheduled year(s) of development and/or sale
Alberta				
HORIZON INDUSTRIAL ESTATES	Calgary	1973-79	45 acres	1979-81
HORIZON (SUNRIDGE) REMAINDER	Calgary	1973-79	385 acres	1980-85
NORTHWEST LAND ASSEMBLY	Edmonton	1976-78	285 acres	1980-90
NORWESTER INDUSTRIAL PHASE II	Edmonton	1974-78	110 acres	1980-83
British Columbia				
LAKE CITY	Burnaby	1976	26 acres	1979-80
*50% interest.				



Daon's largest land development project so far has been The Properties, in

northeast Calgary. This development, when completed, will have provided 5,100 serviced lots and 125 acres of multi-family land, for a total of 7,400 residential units.

T

he Company develops land for sale to home builders

as residential building lots or to industrial users for industrial buildings; also, for shopping centres and for sale to others for development of office, industrial and residential buildings. During fiscal 1979, the Company sold approximately 1,578 acres of land, including 1,840 lots sold to residential builders.

Over the past year, Daon has brought under control a number of significant land assemblies in major metropolitan growth markets. At October 31, 1979, Daon's total land holdings, including industrial acreage previously mentioned, were 1,513 acres under development for sale, 10,915 acres held for future development, and 14,285 acres held under option. Daon's current land holdings include several tracts where development will extend over a decade or more.

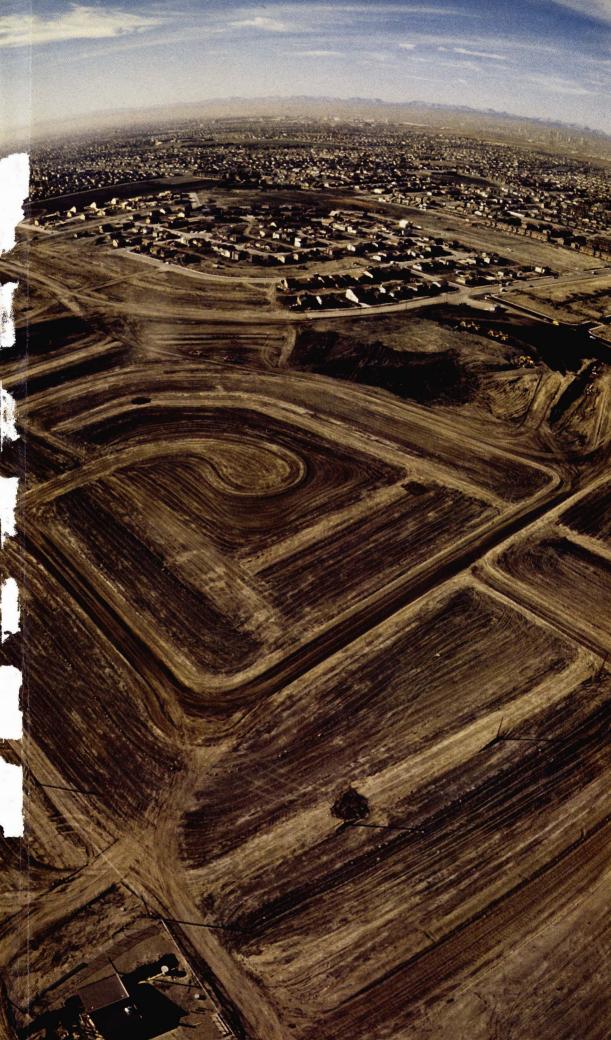
In Calgary, where development of residential lots has been concentrated, over the past several years, in The Properties, the Company is now turning its attention to The Homesteads, 4,248 acres southeast of Calgary where 500 to 600 lots will be under development in 1980.

Similarly, at Harbour Pointe, a 1,438-acre tract north of Seattle, adjacent to Boeing's production facilities at Paine Field, the Company expects to market some 300 residential lots during 1980.

The Company has also made some recent land acquisitions in southern California, Texas and south-east Edmonton and is examining other opportunities to add to its land portfolio in other highgrowth locations.

### Major Holdings

Name	Location	Description of Development	Year(s) of Acquisition	Size	Scheduled year(s) of development and/or sale
Alberta					
APPLEWOOD PARK	Calgary	Residential	1979	224 acres	1980-83
GIBBONS ASSEMBLY	Gibbons	Residential	1976-78	174 acres	1979-84
THE HOMESTEADS	Calgary	Multi-use	1974-79	4,248 acres	1980-90
THE PROPERTIES	Calgary	Residential	1971-73	104 acres	1979-80
WEST GLEN	Stony Plain	Residential	1974-77	105 acres	1980-85





Newcastle Hills, King County, Wash.

Mountain Park, Portland, Oregon.





**⇔** Lake San Marcos, San Diego County, California.

U Harbour Pointe, Snohomish County, Washington.





♠ Soboba Springs, Riverside County, California.

• The Homesteads, Calgary, Alberta.

Shadow Ridge, San Diego County, California.

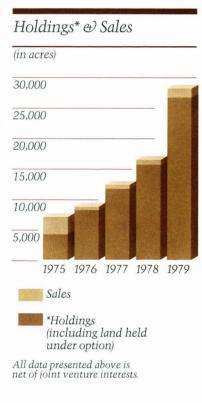
The Quorum, Dallas, Texas.





# Land

Major Holdings	continue	d)			
Name	Location	Description of Development	Year(s) of Acquisition	Size	Scheduled year(s) of development
British Columbia					and/or sale
DILWORTH MOUNTAIN	Kelowna	Residential	1973	819 acres	1980-88
GLADWIN	Matsqui	Residential	1979	52 acres	1980-81
WILLOUGH PARK	Langley	Residential	1978	86 acres	1979-82
California					
BROOKWOOD	Riverside County	Residential	1979	130 acres	1981
BUTTERFIELD ESTATES	Riverside County	Mobile Home Park	1978	60 acres	1979-80
CARRILLO RANCH	San Diego County	Residential	1979	435 acres	1980-83
Indian wells	Palm Springs	Commercial	1979	62 acres	1980-81
LAKE SAN MARCOS	San Diego County	Residential/office	1976	104 acres	1979-81
MOCKINGBIRD CANYON	Riverside County	Residential	1977	329 acres	1980
TIERRA DEL SOL	Kern County	Mobile Home Park	1977	40 acres	1979-80
SHADOW RIDGE	San Diego County	Multi-use	1976-77	993 acres	1980-88
SOBOBA SPRINGS	Riverside County	Residential	1978	247 acres	1979-82
UNIROYAL	Los Angeles	Multi-use	1979	56 acres	1980-81
Oregon					
MOUNTAIN PARK & TOWN CENTER	Portland	Multi-use	1978	116 acres	1979-80
SANDPIPER	Portland	Residential	1979	60 acres	1980-81
Texas					
THE QUORUM, NORTH & SOUTH	Dallas	Commercial	1978-79	86 acres	1979-81
WOODHAVEN	Fort Worth	Multi-use	1978	141 acres	1980-82
Washington					
BROOKTRAILS	King County	Residential	1979	110 acres	1979-81
HARBOR POINTE	Snohomish County	Multi-use	1978	1,438 acres	1980-90
NEWCASTLE HILLS*	King County	Residential	1978	100 acres	1980-82
*The Company has an additi	onal 1,700 acres i	under option.			2



#### Summary of Significant Accounting Policies

#### A. General

The Company is a member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of that Institute.

#### B. Consolidation

The consolidated financial statements of the Company include:

- (i) the accounts of Daon Development Corporation and its subsidiaries.
- (ii) the accounts of those incorporated and unincorporated joint ventures and partnerships in which the Company holds at least a 50% interest, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses.

#### C. Income recognition

The Company recognizes income as follows:

(i) Sales of land and income producing properties

When the Company has fulfilled all material conditions and has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser.

(ii) Sales of homes

When the sale has been completed and the purchaser is entitled to occupancy.

(iii) Rental

Rental income from each income producing property is recognized in the consolidated statement of income when breakeven cash flow after debt service is achieved. Prior to achieving this level of cash flow the Company capitalizes rental losses as a part of the normal development cost of an income property, subject to not capitalizing costs beyond fair market value of the property and subject to a reasonable maximum lease-up period.

#### D. Income producing properties

Income producing properties are carried at cost less accumulated depreciation. Depreciation on buildings is provided on the sinking fund basis over a 50-year life for office buildings and shopping centres and a 40-year life for residential and industrial buildings. The sinking fund method provides for a depreciation charge of a fixed annual amount increasing at the rate of 5% per annum, which will result in the cost of the properties being fully depreciated over their estimated useful lives.

#### E. Properties under development

Properties under development for retention as income producing properties are carried at cost. Each property under development for sale is carried at the lower of its cost and net realizable value.

#### F. Properties held for future development

Each property held for future development is carried at the lower of its cost and net realizable value.

#### G. Marketable securities

Marketable securities are carried at the lower of cost and quoted market value. Sales transactions are recorded on settlement dates.

#### H. Investments

Each investment is carried at cost. Sales transactions are recorded on settlement dates.

#### I. Capitalization of costs

The Company capitalizes all direct costs relating to properties under development and properties held for future development. In addition, certain indirect costs including specific interest, property taxes and interest on the portion of total costs financed by general corporate borrowings are capitalized. Where overhead costs, including salaries, can be clearly identified with the development of a property, the Company allocates these costs to that property.

#### J. Depreciation and amortization of other assets

Equipment is depreciated using either the diminishing balance or straight-line method over the estimated useful lives of the assets concerned. Debenture financing costs are amortized over the term of the financing after giving effect to any sinking fund and purchase fund requirements.

#### K. Foreign exchange

Asset and liability accounts in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the balance sheet dates. Revenue and expenses are translated at weighted average rates prevailing during the year. Gains or losses from exchange translations are included within the consolidated statement of income.

# Consolidated Statement of Income

for the year ended October 31, 1979		Note Reference	1979 (in thousand	1978 ds of dollars)
	REVENUE			
	Real estate sales		\$477,955	\$308,172
	Rental		35,662	31,888
	Other	17	20,091	7,642
	Total revenue		533,708	347,702
	EXPENSES			
	Cost of real estate sales		386,913	260,744
	Rental operating costs		19,208	16,986
	Interest	18	31,615	22,921
	General and administrative		12,509	8,151
	Depreciation and amortization		2,602	2,094
	Other		1,308	1,748
	Total expenses		454,155	312,644
	INCOME BEFORE INCOME TAXES		79,553	35,058
	Income taxes		35,718	18,338
	NET INCOME		\$ 43,835	\$ 16,720
	EARNINGS PER COMMON SHARE	22	\$2.28	\$0.90
Consolidated Statement of Reta	ained			
Earnings			1979	1978
for the year ended October 31, 1979				ds of dollars)
	Retained earnings, beginning of year		\$ 45,140	\$ 30,967
	Net income		43,835	16,720
			88,975	47,687
	Dividends-Common Shares		2,529	1,038
	-Preference Shares		2,167	1,000
	-75¢ Class A Shares		478	478
	Share issue expenses		767	1,031
	Similar issue on pointed		5,941	2,547
	retained earnings, end of year		\$ 83,034	\$ 45,140
	TELITALD LARGINGO, LIVE OF TEAR		00,004	J +3,140

# Daon Development Corporation Consolidated Balance Sheet

October 31, 1979	•	Note Reference	1979 1978 (in thousands of dollars	
	ASSETS			
	Properties:     Income producing     Under development     Held for future development Cash and term deposits Marketable securities Amounts receivable Investments	1 2 3 4 5 6 7	\$ 343,256 298,267 203,147 145,734 12,343 177,845 28,711	\$220,785 201,840 60,874 39,939 — 108,190 13,946
	Other assets	8	13,061 \$1,222,364	8,048 \$653,622
	LIABILITIES  Debt on properties:     Income producing     Under development     Held for future development Debentures payable Other secured liabilities Accounts payable and accruals Deferred income taxes	10 11 12 13	\$ 275,983 219,445 178,706 129,576 108,344 99,898 86,328 1,098,280	\$170,234 127,858 38,220 71,686 61,549 60,620 51,071 581,238
	SHAREHOLDERS' EQUITY			
	Capital stock Retained earnings	14	45,646 83,034 128,680	30,144 45,140 75,284
	Shares held by subsidiary	15	4,596 124,084 \$1,222,364	2,900 72,384 \$653,622

Approved by the Directors: WILLIAM H. LEVINE, *Director* JOHN W. POOLE, Director

# Consolidated Statement of Cash Flow from Operations

for the year ended October 31, 1979		<b>1979</b> (in thousan	1978 ds of dollars)
	Net income	\$ 43,835	\$ 16,720
	Items not requiring a current outlay of cash:		
	Deferred income taxes Depreciation and amortization	35,257 2,602	16,847 2,094
	Other	231	153
	CASH FLOW FROM OPERATIONS	\$ 81,925	\$ 35,814
	CASH FLOW PER COMMON SHARE (Note 22)	\$4.40	\$1.96
Consolidated Statement of Char Financial Position	anges in		
Financial Position	n Ö	1979	1978
for the year ended October 31, 1979			ds of dollars)
Association in the second seco	OPERATIONAL ACTIVITIES		W. Commission of the Commissio
	Cash flow from operations	\$ 81,925	\$ 35,814
	Cash recovered through sales of properties:	206.012	260.744
	recovery of real estate costs less debt discharged on properties sold	386,913 249,298	260,744 194,725
	less debt discharged on properties sold	137,615	66,019
	Gross cash flow from operations	219,540	101,833
	Cash applied to properties:		_101,000
	income producing	234,084	108,881
	under development	364,484	237,303
	held for future development	151,219	11,711
	less not proceeds from proporty debt	749,787	357,895
	less net proceeds from property debt	587,120	237,831
	NET CASH PROVIDED FROM (APPLIED TO) OPERATIONAL ACTIVITIES	162,667	120,064
	OTHER ACTIVITIES	56,873	(18,231)
	Net increase in marketable securities	12,343	_
	Net increase in investments	14,765	1,419
	Net increase in other assets	6,143	3,219
	Dividends paid	5,174	1,516
	NET CASH APPLIED TO OTHER ACTIVITIES	(38,425)	(6,154)
	CORPORATE FINANCING ACTIVITIES  Net proceeds from debenture issues	59,275	28,663
	less debentures purchased and redeemed	1,385	413
	2000 december parameter and reactions	57,890	28,250
	Net proceeds from share issues	15,464	24,041
	less—shares purchased by subsidiary	1,696	1,182
	-shares purchased and redeemed	729	_
		13,039	22,859
	Net proceeds from other secured debt	46,795	30,187
	Net increase in amounts receivable	(69,655)	(54,549)
	Net increase in amounts payable and accruals	39,278	31,526 7,164
	NET CASH PROVIDED FROM CORPORATE FINANCING	<u>16,418</u> 87,347	
	INCREASE IN CASH AND TERM DEPOSITS		58,273
	INCREASE IN CASH AND TEKIM DEPOSITS	\$105,795	\$ 33,888

# Notes to Consolidated Financial Statements

October 31, 1979

1	T	1 .	
	Income	producing	properties
<b>T.</b>	IIICOIIIC	producting	properties

	1979	1978
	(in thousand	ds of dollars)
Residential properties	\$200,009	\$134,516
Office buildings	75,025	75,990
Shopping centres	59,608	6,866
Industrial buildings	11,389	5,778
	346,031	223,150
Accumulated depreciation	2,775	2,365
	\$343,256	\$220,785

The Company's residential income properties consist of 6,080 units (1978–5,216 units) of which 2,724 units (1978–2,301 units) have been subdivided and registered as condominiums. The Company will market these as condominiums when operating and financial plans warrant.

### 2. Properties under development

	1979	1978
	(in thousand	ds of dollars)
Income properties under development:		
Office buildings	\$ 71,587	\$ 42,696
Shopping centres	19,409	39,028
Industrial buildings	8,515	5,229
Mobile home parks	2,246	_
	101,757	86,953
Homes for sale	108,160	56,578
Land under development for sale	88,350	58,309
	\$298,267	\$201,840

#### 3. Properties held for future development

	1979	1978
	(in thousand	s of donars)
Purchase price	\$148,222	\$ 39,320
Preliminary development costs	13,791	5,953
Capitalized costs	23,191	11,129
	185,204	56,402
Option deposits and related costs	17,943	4,472
	\$203,147	\$ 60,874

# 4. Cash and term deposits

\$28,700,000 has been pledged or lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank.

#### 5. Marketable securities

Marketable securities have quoted market values of \$12,391,000 and have been pledged or lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank.

#### 6. Amounts receivable

	1979 (in thousand	1978 ds of dollars)
Mortgages and agreements for sale Amounts due on real estate sales Rents and other tenant charges Secured advances due from joint venture partners Amounts receivable from employees pursuant to stock purchase plans and house mortgage loans, including \$920,000 due from	\$119,774 43,988 1,954 6,662	\$ 77,606 19,534 1,363 4,464
certain directors and officers (1978—\$862,000) Sundry	$\frac{1,147}{4,320}$ \$177,845	1,269 3,954 \$108,190

The mortgages and agreements for sale yield a weighted average interest rate of 11.5% per annum (1978–10.3%).

The due dates of the amounts receivable are as follows:

	(in thousands of dol	lai
Years ending October 31, 1980	\$116,952	
1981	14,276	
1982	9,541	
1983	8,823	
1984	22,927	
Subsequent to 1984	5,326	
	\$177,845	

#### 7. Investments

	1979	1978	
	(in thousand	ls of dollars)	
Marketable securities acquired for long-term investment,			
having a quoted market value of \$35,734,000 (1978-\$17,914,000)	\$ 25,430	S 13,946	
Other	3,281		
	\$ 28,711	\$ 13,946	

Marketable securities with quoted market values of \$10,368,000 have been pledged or lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank. Subsequent to October 31, 1979, the Company sold a significant portion of its investment portfolio (see Note 24).

#### 8. Other assets

	1979 (in thousands	1978 s of dollars)
Prepaid expenses	\$ 3,811	\$ 1,527
Equipment and sundry assets, at cost less accumulated depreciation of \$1,566,000 (1978—\$719,000)  Debenture financing and issue expenses, net of accumulated	6,455	3,623
amortization of \$611,000 (1978—\$380,000)	2,795	2,898
	\$ 13,061	\$ 8,048

# Notes to Consolidated Financial Statements (continued)

October 31, 1979

#### 9. Debt on properties

		1979 (in thousand	ls of dollars)	1978
	Long-term Debt	Interim Financing	Total	Total
Income producing	\$158,909	\$117,074	\$275,983	\$170,234
Under development	60,484	158,961	219,445	127,858
Held for future development	103,517	75,189	178,706	38,220
	\$322,910	\$351,224	\$674,134	\$336,312

Construction loans on income properties under development, which are supported by take-out commitments for long-term financing, are classified as long-term debt, using the interest rates and maturities of the related commitments.

The Company has financed certain of its Canadian assets with debt repayable in U.S. dollars. This debt, translated into Canadian dollars at October 31, 1979, amounts to \$2,565,000 (1978-\$16,884,000).

The long-term debt bears interest at a weighted average rate of 10.0% per annum (1978–10.1%), with principal repayments due as follows:

111	thousands	Ot	dol	are
111	uiousanus	OI	UUI.	lais

Years ending October 3	31, 1980	\$ 57,138
	1981	42,268
	1982	33,364
	1983	15,946
	1984	17,040
Subsequent to 1984		157,154
		\$322,910

The interim financing is expected to be discharged or replaced by long-term debt as follows:

(in thousands of dollars)

(	(a) To be discharged at the time of sale of property (the Company having
	purchase commitments as at December 1, 1979 that will result in the
	discharge of \$16,064,000 of this amount)
(	(b) To be assumed or discharged by purchasers of homes (the Company
	having arranged commitments from lenders to provide long-term mortgage

\$ 72,344

funds as required by qualified purchasers) (c) To be replaced with long-term debt for which the Company has yet to arrange commitments

129,860

(d) To be either replaced by alternative financing for which the Company

65,590

has yet to arrange commitments, or discharged when due

83,430 \$351,224

# 10. Debentures payable

	1979	1978
Daon Development Corporation	(in thousands of dollars)	
93/4% Sinking Fund Debentures, Series C, maturing April 15, 1994, retractable April 15, 1984	\$ 8,194	\$ 8,686
11½% Sinking Fund Debentures, Series E, maturing April 1, 1991, retractable October 1, 1982	14,966	15,000
11¼% Sinking Fund Debentures, Series F, maturing March 1, 1997, retractable March 1, 1986	17,621	18,000
11% Sinking Fund Debentures, Series G, maturing February 15, 1998, retractable February 15, 1988	14,745	15,000
11¼% Sinking Fund Debentures, Series H, maturing June 15, 1998, retractable June 15, 1988	14,775	15,000
<b>Daon Corporation</b> (a wholly-owned subsidiary) Floating Rate Subordinated Debenture, Series A, due October 15, 1999	59,275	_
	\$129,576	\$ 71,686

#### 10. Debentures payable (continued)

The debentures of Daon Development Corporation are secured by a first floating charge, subject to the exceptions permitted by the instruments authorizing the issuance of each series, on the assets of Daon Development Corporation (but not the assets of any subsidiary company).

The Debenture of Daon Corporation is an unsecured obligation of Daon Corporation and carries a floating interest rate which at October 31, 1979 is 16½% per annum. This Debenture was issued under a Debenture purchase agreement which provides, among other things, that Daon Development Corporation will, at the request of the debenture holder or under certain conditions, purchase this Debenture by April 15, 1981.

As well as being required to establish a sinking fund for its debentures, the Company is required, subject to certain defined conditions, to establish a purchase fund for certain of its debentures. The maximum amount required to meet sinking fund and purchase fund requirements for the next five years is as follows:

(in thousands of dollars)

	Sinking Fund	Purchase Fund	Total
Years ending October 31, 1980	\$ 294	\$ 947	\$ 1,241
1981	500	1,840	2,340
1982	2,871	1,840	4,711
1983	3,561	1,440	5,001
1984	3,561	1,440	5,001
	\$ 10,787	\$. 7,507	\$ 18,294

#### 11. Other secured liabilities

These interest bearing liabilities, due at various intervals to 1990, are secured by the following non-property assets:

	(in thousands of dollars)			1978
	Long-term Debt	Interim Financing	Total	Total
Amounts receivable Investments	\$ 12,105 8,965	\$ 76,998 10,276	\$ 89,103 19,241	\$ 52,122 9,427
	\$ 21,070	\$ 87,274	\$108,344	\$ 61,549

# 12. Accounts payable and accruals

	1979 (in thousand	1978 ds of dollars)
Accounts payable Accrued liabilities Deferred income and deposits Costs to complete properties sold	\$ 31,096 24,743 11,583 32,476 \$ 99,898	\$ 20,841 13,122 5,492 21,165 \$ 60,620

#### 13. Deferred income taxes

The Company follows the tax allocation method of accounting for income taxes under which full provision for income taxes is made on the entire reported income. Deferred income taxes arise primarily from:

- (a) the difference between depreciation rates employed for book purposes and those allowed for tax purposes.
- (b) income recorded currently for book purposes but reported for tax purposes as the sale proceeds are collected.
- (c) income from partnerships recorded currently for book purposes but taxable in later periods.
- (d) the capitalization of certain development and carrying costs for book purposes but deducted currently for tax purposes.

# Notes to Consolidated Financial Statements (continued)

October 31, 1979

#### 14. Capital stock

Authorized—		
49,804,252 Common Shares without par value		
10,000,000 Preference Shares with a par value of \$10 each		
issuable in series, of which 2,500,000 are designated as		
85/8% Cumulative Redeemable Preference Shares,		
Senior Series A and 1,500,000 are designated as 9½2%		
Cumulative Redeemable Preference Shares, Senior Series	В	
2,000,000 75¢ Class A Shares without par value		1070
2,000,000 / 02 Class II shares without par value	1979	1978
Issued-	(in thousan	ds of dollars)
19,761,704 Common Shares	\$ 5,331	\$ 4,100
2,427,100 85/8% Cumulative Redeemable Preference Shares,	*	,
Senior Series A	24,271	25,000
1,500,000 9½% Cumulative Redeemable Preference Shares,	,	,
Senior Series B	15,000	_
641,076 75g Class A Shares	¥	
(redeemable at \$6.00 per share at any time)	1,044	1,044
	\$ 45,646	\$ 30,144

On February 23, 1979, the Company subdivided its issued Common Shares on a two-for-one basis and increased its authorized share capital by 9,804,252 Common Shares. During the year, 230,000 Common Shares were issued for a consideration of \$1,231,000 (1978—182,400 shares for \$72,000).

On October 10, 1979, the Company issued 1,500,000 9½% Cumulative Redeemable Preference Shares, Senior Series B, for \$15,000,000 cash. As of October 31, 1979, 9,600 Common Shares are reserved for issue in connection with a Company stock option which was granted to an employee at the then prevailing market price of \$3.69 per Common Share. During 1979 no new options were granted.

The Company is entitled to purchase in the open market for cancellation all, or any number of 75¢ Class A Shares at any price and at any time. Each 75¢ Class A Share is redeemable at the shareholder's option on October 31, 1985 at \$6.00.

Under the special rights or restrictions attaching to the Preference Shares, Series A and B and, under the terms of the Trust Indenture providing for the issuance of the Daon Development Corporation debentures, the Company may not pay dividends unless certain prescribed requirements are met. In management's opinion, these restrictions will not affect the Company's present dividend policy.

Under the special rights or restrictions attaching to the Preference Shares, Series A and B, the Company is required during each quarter, subject to certain conditions, to purchase for cancellation in the market, 1% of the Preference Shares, Series A outstanding at March 31, 1979, and 1% of the Preference Shares, Series B outstanding at March 31, 1980, the latter commencing April 1, 1980.

# 15. Shares held by subsidiary

During the current year the Company purchased in the open market, through a subsidiary, 113,320 Common Shares for \$1,696,000, pursuant to its policy of expending in each fiscal year, under certain conditions, approximately 10% of its consolidated net income for the prior fiscal year to purchase Common Shares of the Company. The subsidiary now holds 1,700,000 Common Shares of the Company at a cost of \$4,596,000.

# 16. Contingent liabilities and commitments

- (a) The Company is contingently liable for obligations of certain joint ventures and partnerships amounting to \$78,011,000. However, the assets of each joint venture or partnership are available and adequate to satisfy the individual obligations of the joint venture or partnership.
- (b) The Company has entered into lease agreements for terms of up to 40 years. The maximum annual rental payments required are \$1,974,000. The Company has also guaranteed annual rental payments to a maximum of \$5,429,000 in connection with the sale of certain assets; in most instances, the Company has been successful in obtaining leases or subleases that will largely offset the cost of these guarantees.
- (c) The Company has contracted costs to complete income properties under development amounting to \$108,405,000. The Company has finance commitments for \$89,649,000 of these costs.
- (d) The estimated cost to complete homes for sale and land under development for sale amounts to \$64,917,000. These costs will be financed through the proceeds of sale of these properties or by drawing on finance commitments of \$20,286,000.
- (e) The earnings of foreign subsidiaries may be subject to withholding taxes when they are distributed, however these taxes have not been provided for as the subsidiaries have no intention of declaring a dividend at this time.
- (f) The Company has no unfunded pension liabilities.

17. Other revenue	
Interest and other income Management fee income Net gain from foreign exchange translations and transactions Net gain on sales of marketable securities and investments Dividend income  18. Interest	1979 1978 (in thousands of dollars)  \$ 7,887 \$ 4,396 5,242 2,934 2,473 126 2,628 — 1,861 186 \$ 20,091 \$ 7,642
	1070 1070
	1979 1978 (in thousands of dollars)
Interest charges were incurred from:	in the define of definity
Debt on properties	\$ 63,878 \$ 35,163
Debentures	8,252 6,590
Bank indebtedness and other secured debt	7,476 3,351
less interest directly capitalized or allocated to properties	79,606 45,104
under development and held for future development	47,991 22,183
Interest expense	S 31,615 S 22,921
19. Capitalized costs  During the year the Company capitalized the following indirect costs:	
	1979 1978 (in thousands of dollars)
Interest	\$ 47,991 \$ 22,183
Property taxes, net	1,979 2,243
Other indirect costs	8,286 5,241
	\$ 58,256
These costs were capitalized to properties as follows:	0.15770
Income properties under development Homes for sale	S 15,770 S 7,152 14,719 8,153
Land under development for sale	12,453 8,635
Land held for future development	15,314 5,727
Capitalized during the year	S 58,256 S 29,667
The following summarizes the flow of capitalized costs through prope	rties under development and held for future development:
	1979 1978 (in thousands of dollars)
Balance, beginning of year Capitalized during the year	S 27,829 S 19,632 58,256 S 29,667
	86,085 49,299
Less—amounts included in cost of real estate sales	25,647 17,369
-amounts transferred to income producing properties	$\frac{10,216}{0.50,222}$ $\frac{4,101}{0.27,020}$
Balance, end of year	S 50,222 S 27,829

# Notes to Consolidated Financial Statements (continued)

October 31, 1979

#### 20. Joint ventures and partnerships

The following amounts included within the consolidated financial statements represent the Company's proportionate share of its interest in joint venture and partnership developments:

	1979	1978
	(in thousands	of dollars)
Assets	\$108,168	\$ 41,180
Liabilities	87,156	34,354
Revenue	40,125	11,951
Expenses	28,401	9,768

#### 21. United States operations

The condensed balance sheet, expressed in Canadian dollars, of the Company's U.S. operations, is as follows:

Assets	(in thousand	ds of dollars)
Properties	\$499,802	\$224,545
Cash	108,623	14,305
Receivables	107,873	49,061
Other assets	5,918	1,325
	\$722,216	\$289,236
Liabilities		
Debt on properties	\$373,615	\$148,170
Accounts payable, accruals and other debt	118,422	50,759
Debenture payable	59,275	_
Deferred income taxes	41,089	15,617
Advances from affiliated company and shareholder's equity	129,815	74,690
	\$722,216	\$289,236

#### 22. Per share calculations

Earnings and cash flow per Common Share have been calculated using the weighted average number of Common Shares outstanding during the year (net of shares held by a subsidiary) after providing for dividends on the outstanding Preference Shares and 75¢ Class A Shares. The 1978 earnings and cash flow per Common Share have been restated to reflect the subdivision of Common Shares referred to in Note 14.

#### 23. Remuneration of directors and senior officers

The aggregate remuneration for the year paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company amounted to \$1,848,000 (1978–\$1,197,000).

#### 24. Material subsequent event

In late October, the Company made arrangements to sell a significant portion of its investment portfolio for \$18,315,000. On November 5, 1979 this transaction was completed, resulting in a gain, after tax, of \$7,852,000 which will be included in the Company's 1980 first quarter statement of income.

# Auditors' Report

To the Shareholders, Daon Development Corporation:

We have examined the consolidated balance sheet of DAON DEVELOPMENT CORPORATION (a British Columbia company) and subsidiaries as of October 31, 1979 and 1978, and the related consolidated statements of income, retained earnings, cash flow from operations and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Daon Development Corporation and subsidiaries as of October 31, 1979 and 1978, and the results of their operations and changes in their financial position for the years then ended in accordance with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO. Chartered Accountants

Vancouver, B.C. December 10, 1979.

# Corporate Directory

#### Daon Development Corporation

#### **Directors**

Mac D. Campbell, Senior Vice-President and Chief Financial Officer

Daon Development Corporation, Vancouver

William J. Corcoran, President

W. J. Corcoran Company Ltd., Toronto

Graham R. Dawson, President

Dawson Construction Limited, Vancouver

Roderick M. Hungerford, President

Flex-Lox Industries Ltd., Vancouver

Edgar F. Kaiser Jr., Chairman and Chief Executive Officer Kaiser Resources Ltd., Vancouver

Kaisei Resources Ltd., vancouver

William B. Laurie, Executive Vice-President and Secretary

Dawson Construction Limited, Vancouver

William H. Levine, Executive Vice-President

Daon Development Corporation, Vancouver

George B. McKeen, President

McKeen & Wilson Ltd., Vancouver

Russell A. L. Nunn, *Senior Vice-President* Daon Development Corporation, Calgary

John W. Poole, President and Chief Executive Officer

Daon Development Corporation, Vancouver

James D. Stout, *Executive Vice-President* Daon Corporation, Newport Beach

#### **Corporate Officers**

Richard C. Benmore, Vice-President and Treasurer

Mac D. Campbell, Senior Vice-President and Chief Financial Officer

Graham R. Dawson, Chairman of the Board

James H. Findlay, Vice-President, Administration and Secretary

Basil V. Franey, Senior Vice-President

Raymond J. Langrish, Vice-President and Senior Controller

William H. Levine, Executive Vice-President

Russell A. L. Nunn, Senior Vice-President

John W. Poole, President and Chief Executive Officer

Jonathan H. B. Rees, Controller

George C. Reifel, Vice-President, Corporate Finance

James D. Stout, Senior Vice-President

June E. Vassos, Assistant Secretary

#### **Daon Corporation**

Wholly-owned U.S. Subsidiary

#### Directors

Mac D. Campbell, Senior Vice-President and

Chief Financial Officer

Daon Development Corporation

William F. Garlock, Vice-President, Project Finance

Daon Corporation

John C. Garrett, Partner

Drummy Garrett & King

William H. Levine, Executive Vice-President

Daon Development Corporation

Russell A. L. Nunn, Senior Vice-President

Daon Development Corporation

John W. Poole, President and Chief Executive Officer

Daon Development Corporation

Thomas J. Rielly, Vice-President

Daon Corporation

James D. Stout, Executive Vice-President

Daon Corporation

#### **Corporate Officers**

Morris S. Cohen, Controller

William F. Garlock, Vice-President, Project Finance

John C. Garrett, Secretary

Robert R. Klein, Director, Taxation

William H. Levine, President

John W. Poole, Chairman and Chief Executive Officer

William B. Seith, Treasurer

James D. Stout, Executive Vice-President

Richard A. Verry, Assistant Secretary

#### **Operating Officers**

J. Michael Alewine,

Regional Vice-President—Daon Management

Kenneth V. Bellamy.

Senior Vice-President—Pacific Northwest

Warren A. Colton, III, Senior Vice-President—Land

Basil V. Franey, President—Daon Management

John E. Harris, Senior Vice-President-Office Centres

Jeffrey W. LeHecka,

Vice-President—Commercial/Industrial

Donald R. Milliken, Vice-President—Shopping Centres

Russell A. L. Nunn, President—Canadian Operations

Alvin G. Poettcker, Vice-President—Shopping Centres

Thomas J. Rielly, Vice-President

Rodney A. Schroeder,

Senior Vice-President—Shopping Centres

Donald J. Schweitzer, General Manager—Office Centres

Courtney L. Seeple,

Vice-President—Residential Marketing

Michael D. Shatsky,

Senior Vice-President—Residential Marketing

Brenton R. Siddons,

Senior Vice-President—Commercial/Industrial

James D. Stout, President—U.S. Operations

Joseph J. Stucker, Vice-President—Land (Texas)

Laurence Sunderland,

Regional Vice-President—Daon Management

Richard M. Tucker.

Regional Vice-President—Daon Management

Donald H. Weber.

Senior Vice-President—Daon Management

James C. Whitehead, Senior Vice-President-Land

#### Corporate Offices

#### **Daon Development Corporation**

1050 West Pender Street

Vancouver, B.C. V6E 3S8

Branch offices in Calgary and Edmonton

#### **Daon Corporation**

4041 MacArthur Boulevard

Newport Beach

California 92660

Branch offices in Seattle, Portland, San Francisco and Dallas

#### **Auditors**

Arthur Andersen & Co.

#### Transfer Agents and Registrars

Common Shares and 75¢ Class A Shares

National Trust Company, Limited

85/8% Preference Shares, Senior Series A and

9½% Preference Shares, Senior Series B

The Canada Trust Company

#### **Trustees for Debentures**

Daon Development Corporation National Trust Company, Limited

National Trust Company, Linns

Daon Corporation

Crocker National Bank

#### **Stock Exchange Listings**

Vancouver Stock Exchange

Toronto Stock Exchange

Montreal Stock Exchange

Alberta Stock Exchange