Grove Farm Company Incorporated

Grove Farm Rock Company
Grove Farm Land Corp
Grove Farm Properties, Inc

1987

ANNUAL REPORT

EXHIBIT G

GROVE FARM COMPANY, INCORPORATED
P. O. Box 2069
Puhi Rural Branch
Lihue, HI 96766-7069

DIRECTORS

Donn A. Carswell	Randolph G. Moore
Samuel A. Cooke	John H. Moskowitz, Jr.
William C. Corbett, Sr.	Wilcox Patterson
Pamela W. Dohrman	David W. Pratt
Guido L. Giacometti	*Campbell W. Stevenson
John Hubert Mee, Jr.	Gaylord H. Wilcox

*Campbell W. Stevenson .. deceased October 20, 1987

OFFICERS

David W. Pratt .... President and Chief Executive Officer

Pamela W. Dohrman .... Vice President

Allan A. Smith ....Vice President

Remedios A. Chinen .... Secretary

Dale B. Sherretz .... Treasurer

AUDITORS AND TAX ADVISORS

Deloitte Haskins & Sells

GROVE FARM COMPANY, INCORPORATED

OFFICE

Dale B. Sherretz .... Controller
Maurice A. Munechika .... Administrative Assistant
Michiye Funaku .... Data Processing Supervisor
Remedios A. Chinen .... Executive Secretary

INDUSTRIAL RELATIONS

*Dean Matsukawa .... Industrial Relations Director
Mark S. Hubbard .... Industrial Relations Director

*Dean Matsukawa .... resigned May 31, 1987

OPERATIONS

Allan A. Smith .... Vice President and Operations Manager

SHOP

Suemi Okubo .... Shop Superintendent

GROVE FARM ROCK COMPANY

Dennis Vasconcelles .... Crushing Superintendent

GROVE FARM PROPERTIES, INC.

Allan A. Smith .... Vice President
Hideo Toyama .... Vice President and Manager
Joseph Polan .... Construction Supervisor

GROVE FARM LAND CORP.

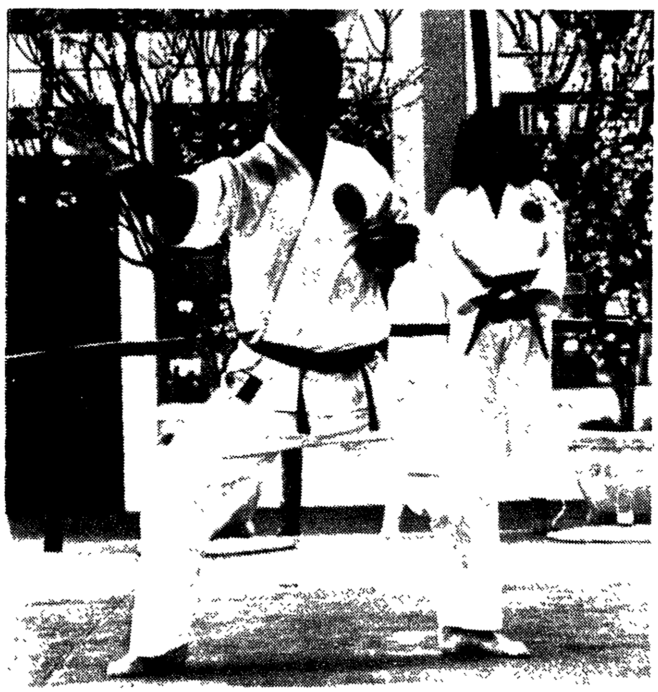
William T. Honjiyo .... Vice President and General Manager
*Gail Fujii .... Promotions Manager
Angela M. Morehead .... Operations and Promotions Manager
Fred DeBusca .... Security Supervisor
Larry G. Hawkins .... Maintenance Foreman

*Gail Fujii .... resigned May 31, 1987

The completed and fully occupied Kauai Medical Group Building located at the Commercial Village.

Construction is well on its way for the Taco Bell Restaurant in the Commercial Village.

Glenn Medeiros, national recording star from Kauai performing at the Kukui Grove Center.



Martial arts demonstration at Kukui Grove Center stage.

1987

ANNUAL REPORT

Home construction begins on the 164-lot Ulu Ko Subdivision in Lihue.

Homes completed and occupied at our 96-lot Komohana Subdivision in Puhi.

1987
ANNUAL REPORT

TO THE STOCKHOLDERS:

Following an exceptional growth rate in Kauai's economy for 1986, the year 1987, although shifting to a more moderate growth rate, continued to make gains with the visitor industry and a revitalized construction industry leading the way. For the second consecutive year, Kauai greeted over 1,000,000 visitors to its shores. The final tally for occupancy levels for Kauai's hotels and condominiums for 1986, reached 78.0 percent, the best occupancy level since 1978. For 1987, the cumulative total through September is 76.0 percent and indications are that the final occupancy rate will parallel 1986 levels. Kauai hotel operators remain optimistic that the visitor arrivals will continue to improve and are investing in renovation and expansion projects. The Sheraton Kauai Hotel has completed a 112-room addition, Stouffer Waiohai Resort Hotel plans to spend $4,000,000 on improvements, Coco Palms Hotel and Aston Kauai Resort Hotel will be undergoing major renovation and expansion projects. The former Kauai Surf Hotel, now the Westin Kauai, has undergone a major renovation and transformation. With major hotel renovation and expansion and the proposed construction of the 600-room Hyatt Regency Hotel at Keoniloa Bay (Shipwreck Beach), the construction industry will have another banner year in 1988.

The trickle-down effect of this economic growth has reached all segments of the economy including our Kukui Grove Center and Commercial Village, our rock quarry operations and real estate sales, leasing and rentals. Gross sales for the Center exceeded $60,000,000, an increase of 12.0 percent over 1986. Although highly competitive with two other rock producers, rock sales totaled 304,440 tons, a 70.0 percent increase when compared to the 179,154 tons sold in the previous year. The future of sugar continues to depend on the Federal price-support program that expires in 1991. Should support end in 1991, or be curtailed by Congress before then, many of the existing sugar companies would be hard-pressed to continue their operations. It was recently announced that the new foreign sugar import quota for the year would be 750,000 tons, a reduction of 25.0 percent from the 1,000,000 tons allowed last year. This is good news for Hawaii's sugar producers who feel that the reduced quota will avoid disruption to the domestic U. S. sugar program.

GROVE FARM COMPANY, INCORPORATED

The Shopping Center and Commercial Village, real estate development, construction and sales were accomplished through wholly-owned subsidiaries. On September 26, 1987, as a cost-saving measure, Grove Farm Rock Co., Inc. was dissolved and merged back into its parent company. The parent company provides shop, personnel, accounting and certain land management functions. The parent company also oversees sugar and other agricultural land leases and continues to own the bulk of the company's 22,000 acres of landholdings.

SUGAR LAND LEASES

Hawaii's sugar industry produced 979,208 tons of sugar as compared to the 1,042,452 tons produced in 1986. This is only the second time in the past 26 years that total production was below 1,000,000 tons. The other exception was in 1982 as a consequence of Hurricane Iwa. Total tonnage for the five sugar companies on Kauai amounted to 229,088 tons from 18,510 acres with a ton per acre average of 12.38.

McBryde Sugar Company produced 58,413 tons with an average of 9.82 tons sugar per acre for its total crop from both leased and fee lands.

McBryde Sugar Company which leases approximately 5,000 acres of sugar land produced 21,938 tons of sugar on Grove Farm land in 1987. Its sugar yield on leased land was 8.48 tons per acre as compared to 8.39 tons in 1985 and 6.71 tons in 1983 when comparable fields were harvested.

McBryde Sugar Company continues to explore possible alternate crops for its sugar lands. Harvest of its first experimental crop of coffee and macadamia nuts is expected in 1988.

A total of 194 acres of caneland is scheduled to be withdrawn from McBryde Sugar Company's lease to make way for a golf course next to the Hyatt Regency Hotel at Keoniloa Bay. Governmental approvals for the project are being sought.

Lihue Plantation Co., our other sugar land lessee, had a very disappointing year resulting in only 56,378 tons being produced from both fee and leased lands. Nevertheless, its overall average tons sugar per acre was 11.30, a new record for Lihue Plantation Co. In 1986, Lihue Plantation Co. produced a total of 78,941 tons. The shortfall of approximately 20,000 tons can be attributed to wet weather which hampered its field operations and the late start in milling due to the installation of a new conveyor belt cane transport system.

Lihue Plantation Co. which leases approximately 2,700 acres of sugar land produced 7,498 tons of sugar on Grove Farm land in 1987 as compared to 11,690 tons for 1985. Its sugar yield per acre was 10.13 tons in 1987 as compared to 10.24 tons for 1985.

GROVE FARM ROCK COMPANY

Rock sales for the year were good. A total of 304,440 tons was sold with the resulting gross revenues amounting to $2,475,730 and a net income of $297,299. This compares with the 1986 figures of 179,154 tons and $1,482,428 and $95,519, respectively. The significant increase in rock sales can be attributed to the Hemmeter projects at the new Westin Kauai, the Hanamaulu by-pass road and a number of hotel expansion and renovation projects.

Production was hard-pressed at times in meeting delivery demands. Total rainfall for the last quarter of the year was approximately 186.0 percent of the 10-year norm. Muddy and wet conditions negatively affected overall productivity. Production shortfalls due to weather, mechanical limitations and breakdowns were made up by extending operating hours through overtime.

The outlook for future construction projects looks good, and we remain optimistic that we will continue to have good rock sales. Both the Westin Kauai and Hanamaulu by-pass road projects continue into 1988. Upcoming projects include Princeville's Phase II, expansion of Kukui Grove Village, and new shopping complexes at Koloa and Kapaa. Also on the drawing boards are government road improvements which may start this year as well as the Hyatt Regency Hotel at Keoniloa Bay.

GROVE FARM PROPERTIES, INC.

Construction and realty activities dominated the year for the company. Waikomo Subdivision, Unit 6 in Koloa completed the sale of all 30 lots in 1987. Eager lot buyers began 13 houses by year-end. The same was true for the 96-lot Komohana Subdivision in Puhi where all sales were completed in 1987 and approximately 72 houses were in various stages of completion. Construction improvements in the 164-lot Ulu Ko Subdivision were approximately 90 percent complete in December. With the project nearing completion, sales accelerated and 86 closings were recorded since the beginning of the project. Ulu Ko Subdivision is now recognized as one of the finer subdivisions in Lihue, Kauai.

The next major project to be undertaken by Grove Farm Properties, Inc. will be Kukui Grove Village - West. This 54-acre commercial expansion of Kukui Grove Village will provide additional leased lots for commercial buildings, a bowling center, a golf driving range and park. Ground breaking is anticipated for mid-summer 1988.

Also on the agenda of upcoming developments is the 60-acre Puhi Industrial expansion. The State Land Use Commission granted approval to reclassify 60 acres from agriculture to urban designation. The next two steps will be appearances before the County Planning Commission and Council. We expect to receive approval in late spring and begin construction during the latter part of 1988.

Grove Farm Properties, Inc. is involved in long-term planning of our master planned projects in the company's Lihue lands as well as the coastal lands of Mahaulepu. The demand by government to have the private developer invest in the total infrastructure will serve as a regulator of further development. With other major landowners coming on line with their projects, it is most important that Grove Farm continue to maintain its momentum.

GROVE FARM LAND CORP.

Retail sales for Kukui Grove Center and Commercial Village exceeded $63,000,000 for 1987, an increase of 12.5 percent over 1986. A stable economy coupled with a rise in population were significant factors in the sales increase. During the year, construction and a healthy visitor industry kept the island economy strong.

Kukui Grove Center, as a result of being 98.0 percent occupied, increased its revenues by 9.8 percent over the previous year and had a positive cash flow. During the latter part of the year, two quality stores were added: Guava Lane, a 5,475-square foot department store and House of Adler, a high-volume jewelry store. In 1988, the Center's goal is to achieve a sales volume of $67,000,000 which would equate to approximately 40.0 percent of the market share of similar merchandise retailed on Kauai.

During 1987, Grove Farm Land Corp. increased its staff by hiring an assistant manager (operations and promotions) and a secretary for the general manager. The major thrust for the company will be leasing and developing the additional commercial space of 54 acres adjacent to the shopping center. The project has been named Kukui Grove Village - West and consists of a recreational area and other commercial lease properties.

In mid-August 1987, Pentagram Corporation and its sublessee (dba Burger King) and Grove Farm Land Corp. resolved their differences out of court. As a result, McDonald's withdrew its offer to purchase Lot A-2 at the Commercial Village. Taco Bell has leased the location and will open for business in April of 1988.

GENERAL

The year 1987 was a good economic year for the County of Kauai and, in turn, aided Grove Farm Company, Incorporated and its subsidiaries in having a profitable year. All segments of the company and its subsidiaries including subdivision lot sales, rock crushing and shopping center operations did well.

At the Stockholders' meeting held on April 27, 1987, a new director, Guido L. Giacometti, was elected to serve a one-year term ending in 1988. All incumbent directors continued on the Board.

On October 20, 1987, Campbell W. Stevenson, a long time member of the Board of Directors passed away. The knowledge, experience and keen insight that he brought to the Board was valuable and much appreciated, and his presence will be missed.

Mark S. Hubbard, former Employee Relations Director at Lihue Plantation Co., replaced Dean Matsukawa, Industrial Relations Director, on June 8, 1987. On June 15, 1987, Angela M. Morehead was hired as the Operations and Promotions Manager at Grove Farm Land Corp.

On August 16, 1987, Allan A. Smith, former Field Superintendent at Lihue Plantation Co., was hired as Vice President and Operations Manager for Grove Farm Company, Incorporated. His responsibilities include the rock crushing, shop and construction operations.

At present, there are 74 full-time and 14 part-time employees working for Grove Farm Company, Incorporated and its subsidiaries.

I would like to take this opportunity to express my gratitude to the members of our Board of Directors and the employees of Grove Farm Company, Incorporated and its subsidiaries for their hard work and cooperation during the past year. The results of our combined efforts produced a profitable year for the company, and the long-term outlook for your company looks bright.

David W Pratt

David W. Pratt, President
and Chief Executive Officer

March 11, 1988

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AUDITORS' OPINION

The Stockholders and the Board of Directors of
Grove Farm Company, Incorporated:

We have examined the consolidated balance sheets of Grove Farm Company, Incorporated and its subsidiaries as of December 31, 1987 and 1986 and the related consolidated statements of operations and retained earnings and of cash flows for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of Grove Farm Company, Incorporated and its subsidiaries at December 31, 1987 and 1986 and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

February 19, 1988

GROVE FARM COMPANY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, DECEMBER 31, 1987 AND 1986

ASSETS	NOTES	1987	1986
CURRENT ASSETS:			
Cash		$ 80,382	$ 53,646
Receivables:			
Trade receivables (net of allowance for doubtful accounts: 1987, $162,968; 1986, $252,370)	2	884,895	580,348
Current portion of notes receivable (net of allowance for uncollectible notes: 1987, $83,025; 1986, $132,000)	2	122,317	165,959
Other		64,678	72,062
Inventories (primarily rock and aggregate)	1	352,117	793,210
Improved land held for sale	1	2,445,099	2,148,270
Prepaid expenses and other		71,416	166,797
Total current assets		4,020,904	3,980,292
NOTES RECEIVABLE, EXCLUDING CURRENT PORTION (net of allowance for uncollectible notes: 1987, $26,950; 1986, $97,000)	2	925,528	679,930
INVESTMENT IN COMMON STOCK - At cost (market value: 1987, $160,281; 1986, $151,597)	1	3,993	21,213
PROPERTY, PLANT AND EQUIPMENT, NET	1, 3, 4, 9	27,947,073	28,398,039
OTHER ASSETS:			
Deferred subdivision and development costs	1	203,990	85,052
Deferred financing costs	1	197,789	239,607
Sundry (primarily deposits)		302,574	279,602
Total other assets		704,353	604,261
TOTAL		$33,601,851	$33,683,735

See notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTES	1987	1986
CURRENT LIABILITIES:			
Note payable to bank	4	$ 1,760,774	$ 2,589,896
Current portion of long-term debt	4	224,104	358,305
Current portion of obligations under capital leases	9	74,523	93,618
Accounts payable		373,058	419,326
Accrued expenses:			
Taxes, other than income taxes		44,701	29,455
Payroll and vacation		172,885	153,320
Interest		22,757	51,031
Pension	1, 6	9,469	13,251
Sundry		72,498	34,140
Income taxes payable		14,000	
Other		22,073	20,698
Total current liabilities		2,790,842	3,763,040
LONG-TERM DEBT, EXCLUDING CURRENT PORTION	4	17,747,323	18,170,902
OBLIGATIONS UNDER CAPITAL LEASES, EXCLUDING CURRENT PORTION	9	231,980	123,818
DEFERRED PENSION COSTS	1, 6	86,518	164,847
DEFERRED INCOME ON REAL ESTATE SALES	1	-	345,779
DEFERRED INCOME TAXES	1, 5	867,469	137,469
DEPOSITS	10	249,691	39,807
STOCKHOLDERS' EQUITY:			
Common stock, $20 par value, 250,000 shares authorized and 210,000 shares issued		4,200,000	4,200,000
Retained earnings		8,031,367	7,341,072
		12,231,367	11,541,072
Less cost of treasury stock (shares: 1987, 37,980; 1986, 37,976)		(603,339)	(602,999)
Stockholders' equity		11,628,028	10,938,073
TOTAL		$33,601,851	$33,683,735

GROVE FARM COMPANY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

	NOTES	1987	1986
SUGAR LAND LEASING:			
Revenues		$ 519,489	$ 493,008
Depreciation and amortization	1	170,106	221,920
Other costs		74,731	57,334
Gross profit		274,652	213,754
ROCK CRUSHING:			
Sales	8	2,475,730	1,482,428
Quarrying, crushing and stockpiling expenses		2,041,527	1,252,499
Depreciation and amortization		136,904	134,410
Gross profit		297,299	95,519
REALTY:			
Realty sales	1	3,885,042	2,784,801
Less income deferred			345,779
Cost of realty, development and other costs		2,014,063	1,625,865
Gross profit		1,870,979	813,157
PROPERTY RENTALS:			
Rental income		510,898	474,022
Maintenance and other costs		217,673	262,190
Gross profit		293,225	211,832
SHOPPING CENTER AND VILLAGE:			
Rental revenues	9	3,415,698	3,066,858
Cost of operations		2,937,500	3,080,971
Depreciation and amortization	1, 4	725,404	1,081,949
Gross loss		(247,206)	(1,096,062)
OTHER OPERATIONS:			
Revenues		117,525	22,789
Costs		100,353	35,726
Gross profit (loss)		17,172	(12,937)
TOTAL GROSS PROFIT		2,506,121	225,263
GENERAL AND ADMINISTRATIVE EXPENSES		691,054	614,955
OPERATING INCOME (LOSS) - (Forward)		1,815,067	(389,692)

GROVE FARM COMPANY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

	NOTES	1987	1986
OPERATING INCOME (LOSS) - (Forward)		$1,815,067	$ (389,692)
OTHER INCOME (EXPENSE):			
Interest income		164,909	121,220
Interest expense	4	(125,680)	(112,747)
Interest on accrued retirement benefit obligation		(39,106)	(74,733)
Sundry, net		6,152	2,990
Total other income (expense)		6,275	(63,270)
INCOME (LOSS) BEFORE INCOME TAXES		1,821,342	(452,962)
INCOME TAX EXPENSE (BENEFIT)	1, 5	744,000	(257,000)
NET INCOME (LOSS) (Per share: 1987, $6.26; 1986, $(1.14))		1,077,342	(195,962)
RETAINED EARNINGS, BEGINNING OF YEAR		7,341,072	7,915,506
DIVIDENDS PAID (Per share: 1987, $2.25; 1986, $2.20)		(387,047)	(378,472)
RETAINED EARNINGS, END OF YEAR		$8,031,367	$7,341,072

See notes to financial statements.

GROVE FARM COMPANY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

	1987	1986
OPERATING ACTIVITIES:		
Net income (loss)	$1,077,342	$ (195,962)
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	1,374,687	1,778,301
Deferred income taxes	730,000	(257,000)
Gain on sale of property and equipment		(154,389)
Increase in trade receivables	(268,206)	(125,708)
Decrease (increase) in inventory and land held for sale	144,264	(726,692)
Increase (decrease) in accounts payable	(46,268)	211,840
Increase in notes receivable, net of change in deferred income	(875,020)	(351,536)
Collections on notes receivable	241,852	100,910
Other	233,215	(541,020)
Net cash provided (used) by operating activities	2,611,866	(261,256)
INVESTING ACTIVITIES:		
Capital expenditures	(670,538)	(444,488)
Sale of property and equipment		154,990
Return on investments	17,220	6,360
Net cash used by investing activities	(653,318)	(283,138)
FINANCING ACTIVITIES:		
Borrowings (repayments) on notes payable	(829,122)	1,262,896
Long-term debt borrowings		17,350,000
Long-term debt and capital lease repayments	(715,303)	(17,722,831)
Dividends paid	(387,047)	(378,472)
Purchase of treasury stock	(340)	(900)
Net cash from (used by) financing activities	(1,931,812)	510,693
NET CHANGE IN CASH	26,736	(33,701)
CASH AT BEGINNING OF YEAR	53,646	87,347
CASH AT END OF YEAR	$ 80,382	$ 53,646

See notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation - The consolidated financial statements include the accounts of Grove Farm Company, Incorporated (the Company) and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Improved Land Held for Sale - Land and improvements, consisting principally of roads, sewer, water, electrical and drainage systems, and landscaping, are stated at cost (not in excess of estimated market value) and are classified as a current asset upon commencement of significant development activity. Until such time, such costs are classified as deferred subdivision and development costs.

Inventories - Inventories of rock, limestone, supplies and replacement parts are stated at the lower of average cost or market.

Investments in Common Stock - Investments in common stock are stated at the lower of aggregate cost or market. Securities sold are accounted for on the specific identification basis.

Property - Property is stated at cost. Major renewals and betterments are capitalized, while replacements and repairs which do not extend the lives of the assets are charged to operations. Leases that transfer substantially all of the benefits and risks of ownership of the property are "capital leases," which are included in the balance sheets. Depreciation is computed by use of the straight-line method over estimated useful lives or the lease term if less.

Deferred Financing Costs - Costs of obtaining long-term financing have been deferred and are being amortized on a straight-line basis over the terms of the applicable loan agreements.

Recognition of Income - Sales of real estate and the related income are recognized in full in the period in which sufficient cash is received, collection of the balance is reasonably assured, risks of ownership have passed to the buyer, and the land improvements are substantially complete. The percentage-of-completion or deposit methods are used when some or all of the above conditions have not been met.

Pension Plans - Substantially all employees are covered by one of two noncontributory defined benefit pension plans. The Company's funding policy is consistent with the funding requirements of federal law and regulations. Funding is based on a review of the specific requirements and an evaluation of assets and liabilities of each plan.

Income Taxes - The Company and its wholly-owned subsidiaries file consolidated federal and state income tax returns. Deferred income taxes are provided for revenues and expenses recognized in different periods for tax and financial statement purposes.

2. RECEIVABLES

Trade receivables at December 31, 1987 and 1986 are comprised of the following:

1987	Total	Shopping Center and Village	Other
Trade receivables	$1,047,863	$443,523	$604,340
Less allowance for doubtful accounts	(162,968)	(144,969)	(17,999)
Net receivables	$ 884,895	$298,554	$586,341

1986	Total	Shopping Center and Village	Other
Trade receivables	$ 832,718	$358,002	$474,716
Less allowance for doubtful accounts	(252,370)	(230,092)	(22,278)
Net receivables	$ 580,348	$127,910	$452,438

Notes receivable at December 31, 1987 and 1986 are comprised of the following:

	1987	1986
Notes on various real estate lot sales, principal due at maturity with monthly interest-only payments at 10% and 11-1/2% through 1990; collateralized by first mortgages on real property	$ 731,204	$ 490,071
Notes from various tenants of the shopping center, due in monthly installments of varying amounts including interest at 12% and 16% through 1992; a majority of the notes are collateralized by the inventory and leasehold improvements of the tenants	320,853	468,113
Stiglmeier, due in monthly installments of $772 including interest at 8% through January 1, 2001; collateralized by a first mortgage on real property	75,518	78,603
Other	30,245	38,102
	1,157,820	1,074,889
Less current portion	(205,342)	(297,959)
Non-current portion	$ 952,478	$ 776,930

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31, 1987 and 1986:

	1987	1986
Land	$ 3,746,156	$ 3,719,081
Land improvements	14,648,816	14,474,208
Buildings	15,256,897	15,184,998
Machinery and equipment	10,734,046	10,272,320
Autos and trucks	815,234	667,990
Office equipment and furniture	236,352	212,598
Construction in progress	77,244	121,494
Total	45,514,745	44,652,689
Less accumulated depreciation and amortization	(17,567,672)	(16,254,650)
Property - net	$27,947,073	$28,398,039

Depreciation and amortization are included in the costs of each operation.

4. LONG-TERM DEBT

Long-term debt at December 31, 1987 and 1986 is summarized as follows:

	1987	1986
Bank of Hawaii, payable in monthly installments based upon a 30-year amortization, including interest at 9-3/4%; balance due in September 1996; collateralized by real property and the assignment of rentals of the shopping center	$17,213,506	$17,318,755
Federal Land Bank of Berkeley, mortgage loan, payable in annual minimum installments of $100,000 plus interest at 12.25%; collateralized by real property and the Company's investment in the Federal Land Bank		280,608
Long-term liabilities related to discontinuance of sugar operations in 1974 for certain retirement benefits	749,478	917,900
Other	8,443	11,944
	17,971,427	18,529,207
Less current portion	(224,104)	(358,305)
	$17,747,323	$18,170,902

Principal payments due on long-term debt over the next five years ending December 31, 1988 through 1992 are $224,104, $251,910, $282,870, $316,322 and $355,375, respectively.

The Company has a $3,000,000 unsecured working capital line of credit at prime (8-3/4% at December 31, 1987) which expires on June 30, 1988. At December 31, 1987, the outstanding borrowings on this line was $1,090,000.

The Company has a $5,375,000 construction line of credit at one and one half points above prime (10-1/4% at December 31, 1987) which expires on March 10, 1991, and is collateralized by 41 acres of fee simple property known as the Ulu Ko subdivision. At December 31, 1987, the outstanding borrowings on this line was $670,774.

In 1987 and 1986, the Company incurred total interest costs of $1,944,346 and $2,247,592, respectively, of which $98,597 and $160,925, respectively, were capitalized as costs of development projects. Total interest costs approximated interest paid in 1987 and 1986.

In 1986, the Company refinanced its mortgage loan on the shopping center. In compliance with its policy, the Company expensed the remaining unamortized financing costs of $340,500 relating to the former loan. Such costs are included in the shopping center and village depreciation and amortization costs for 1986.

5. INCOME TAXES

Deferred income taxes relate principally to the use of accelerated depreciation.

The effective income tax rate differs from the combined federal and state rate principally due to the percentage depletion allowance used to compute taxable income (loss) relating to rock sales.

For income tax reporting purposes, the Company has operating loss carryforwards of approximately $5,200,000, which expire in 1997 through 2001. The tax benefit of the carryforwards was recognized for financial reporting purposes in prior years by offsetting then existing deferred income tax liabilities expected to reverse during the loss carryforward period.

Substantially all of the income tax expense (benefit) in 1987 and 1986 was comprised of deferred taxes. In 1986, the income tax benefit of $257,000 was recognized through the offset of deferred income tax liabilities. In 1987, deferred income tax offsets were reinstated as the tax benefits of the carryforwards were realized.

6. PENSION PLAN AND OTHER POST-RETIREMENT BENEFITS

The Company has defined benefit pension plans covering active nonbargaining and bargaining unit employees. The benefits are based on years of service and compensation levels of employees. Each year the Company contributes the minimum funding requirement as determined by the plans' actuaries.

In 1987, the Company adopted the Financial Accounting Standards Board's Statement on Employers' Accounting for Pensions. The effect on 1987 expense was not material.

The net periodic pension cost for 1987 consists of the following as determined by plan actuaries:

	Bargaining Unit Plan	Non-Bargaining Unit Plan
Service cost	$ 32,334	$ 43,443
Interest cost	293,602	135,069
Expected return on plan assets (actual returns of $140,468 and $91,029, respectively)	(310,134)	(199,426)
Amortization of unrecognized net asset	(20,928)	(42,820)
Net credit	$ (5,126)	$(63,734)

A weighted-average discount rate of 8% and the rate of increase in future compensation levels of 6% were used in determining the actuarial present value of the projected benefit obligation. The expected long-term rate of return on assets used was 8%.

The following schedule reconciles the funded status of the plan to amounts recognized in the Company's balance sheet at December 31, 1987:

	Bargaining Unit Plan	Non-Bargaining Unit Plan
Plan assets at fair value	$3,727,000	$2,493,000
Actuarial present value of projected benefit obligation:		
Accumulated benefit obligation:		
Vested	(3,598,000)	(1,501,000)
Nonvested	(31,000)	(21,000)
Provision for future salary increases	(98,000)	(266,000)
Excess of plan assets over projected benefit obligation	-	705,000
Unrecognized net loss	195,000	120,000
Unrecognized net transition assets, 17-19 year amortization	(335,000)	(771,000)
Prepaid (accrued) pension cost included on balance sheet	$ (140,000)	$ 54,000

Pension expense in 1986 was $5,300, and other pension information at January 1, 1986 (bargaining unit plan) and January 1, 1985 (non-bargaining unit plan), which were the latest actuarial valuation dates in 1986, is as follows:

	Bargaining Unit Plan	Non-Bargaining Unit Plan
Actuarial present value of accumulated plan benefits:		
Vested	$3,658,707	$1,499,662
Nonvested	24,116	33,605
	$3,682,823	$1,533,267
Net assets available for benefits	$4,339,623	$2,385,941

The actuarial rate of return assumed for both plans was 8%.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. The cost of health care benefits for employees retiring on or before 1974 was actuarially computed and charged to expense (a corresponding liability was recorded) in 1974 and is funded on a pay-as-you-go basis. For employees retiring after 1974, the cost of health care benefits is recognized as expense as claims are paid. Pre-1974 retiree health care benefits paid (and charged against the liability) in 1987 and 1986 were approximately $202,000 and $187,000, respectively. Post-1974 retiree health care benefits expensed in 1987 and 1986 were approximately $30,000 and $22,000, respectively.

7. PROFIT SHARING PLAN

The Company has a contributory employee profit sharing plan in which full-time nonunion employees completing at least one continuous year of employment are eligible to participate. The Company shall contribute such amount as may be determined by the Board of Directors. The authorized contribution approximated $47,500 in 1987. There was no contribution in 1986.

8. MAJOR CUSTOMER

The Company's sales of rock to Hale Kauai, Ltd., a related party, approximated $991,375 and $807,000 in 1987 and 1986, respectively.

9. COMMITMENTS

As Lessor - The Company's real estate leasing operations presently consist of the leasing of a regional shopping center, land, buildings and equipment under various operating lease agreements with remaining terms ranging from month-to-month to 50 years.

At December 31, 1987 future minimum lease payments which are to be received under noncancelable lease agreements are summarized as follows:

Year	Total	Shopping Center and Village	Other
1988	$ 2,927,600	$ 2,630,000	$ 297,600
1989	2,893,900	2,608,000	285,900
1990	2,775,400	2,531,000	244,400
1991	2,658,600	2,402,000	256,600
1992	2,530,600	2,283,000	247,600
Thereafter	35,825,000	34,887,000	938,000
	$49,611,100	$47,341,000	$2,270,100

In addition to the minimum rentals shown above, the shopping center leases and certain other leases provide for the reimbursement of specified operating expenses and percentage rentals based on sales. Percentage rentals from shopping center leases totaled $177,000 and $83,000 for 1987 and 1986, respectively. Other contingent rentals totaled $300,101 and $274,282 for 1987 and 1986, respectively, and related principally to the sugar land leases which are based on sugar prices and production.

As Lessee - The Company leases machinery, equipment, furniture and fixtures under capital leases that expire over the next five years. Included in property, plant and equipment are the following amounts applicable to capital leases:

	1987	1986
Machinery and equipment	$373,358	$856,984
Office equipment, furniture and fixtures	17,827	124,872
	391,185	981,856
Less accumulated amortization	(76,727)	(734,742)
	$314,458	$247,114

In 1987, the Company entered into capital leases for machinery and equipment totaling approximately $208,000.

Future minimum capital lease payments as of December 31, 1987 are as follows:

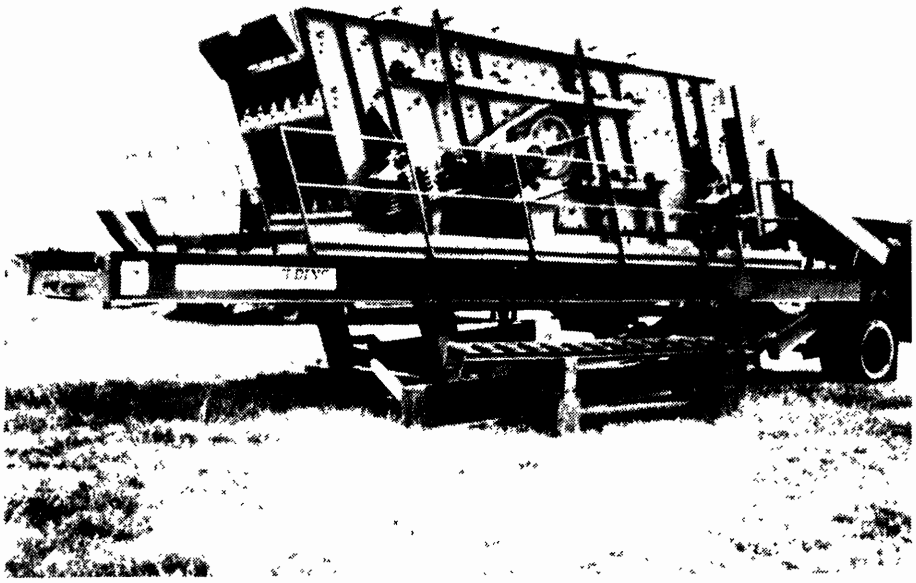
1988	$ 94,200
1989	92,100
1990	91,500
1991	56,900
1992	15,200
Total minimum lease payments	349,900
Less amount representing interest	(43,397)
Total	306,503
Less current portion	(74,523)
Long-term obligations under capital leases	$231,980

10. DEPOSITS

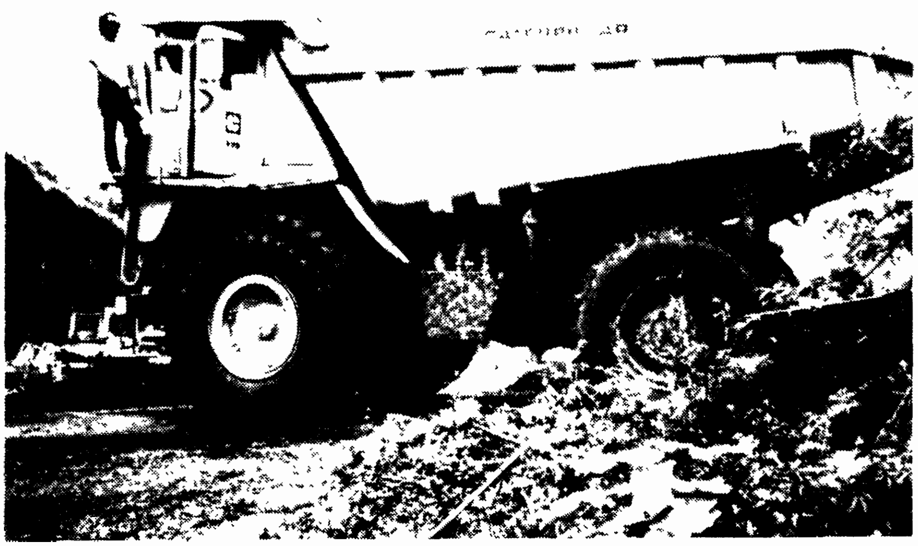
The Company received approximately $200,000 in deposits in 1987 for options granted to develop certain real estate owned by the Company.

11. STATEMENT OF CASH FLOWS

In 1987, the Company adopted Financial Accounting Standards Board Statement No. 95, "Statement of Cash Flows," which requires the presentation of Statements of Cash Flows rather than Statements of Changes in Financial Position. This adoption made certain reclassifications to the prior year's financial statements necessary to conform with the 1987 presentation.



New wet screening sand making plant for our Limestone Quarry.



Recently purchased Caterpillar truck at our Halfway Bridge Quarry site.