



Daejan Holdings PLC

Company No:- 305105

Report & Financial Statements 2002

Chairman's Statement

The outstanding feature of this year's results is the revaluation of the Group's entire property portfolio which has revealed excellent growth. The investment properties, which are revalued annually, have grown in value to £534 million, an increase since last year of 10%. The trading properties are valued quinquennially and at March 2002 showed a value of £232 million bringing the total of the Group's property portfolio to £766 million as against £440 million at March 1997.

Increases in the value of the properties have a direct bearing on the net worth of the Group which, including the uplift in value of the trading properties and calculated before allowing for tax on realisation of the portfolio, has increased from £340 million in 1997, when both the investment and trading properties were last revalued, to £617 million now. This reflects growth of 12.6% per annum compound. The enhancement in net asset value of the Group is after dividends paid out to shareholders over the period of £38 million and a tax charge of £41.5 million.

This level of growth, over the 5 year period, places the Group amongst the most successful of companies in the UK quoted property company sector.

Our portfolio is mainly freehold and long leasehold and well diversified both in type and also in location. In our view, the spread of the portfolio provides a valuable hedge against adverse movements in value in the property market as the success of the portfolio is not wholly dependent on the cyclical fortunes of any one sector.

As illustrated by the charts on page 1, our properties are largely concentrated in London and Southern England. Property in London is valued at £350 million including £133 million in Central London. Our holdings in the USA have increased from £23 million in 1997 (5.2% of the total) to over £90 million (11.8% of the portfolio). This portfolio comprises, in the main, residential properties in New York valued at £54 million and office property in Boston valued at £28 million with smaller additional holdings in Florida and New Jersey. Despite the adverse movement since the year end in the sterling/dollar exchange rate, the USA portfolio is, nevertheless, considered to represent a very valuable diversification.

During the year, we have continued our policy of re-letting residential units as they become vacant rather than offering them for sale. These lettings will produce recurring rental income as well as capital growth for the future.

We have also continued our ongoing programme of major works to ensure that our properties are maintained to a high standard of repair and decoration. Total expenditure this year was £16 million of which approximately £9 million will be contributed by our lessees by way of service charge.

A noteworthy aspect of this year's results is the improvement in net rental income of £3 million. Rental income is the main component of our annual profit and it is, therefore, gratifying to see the steady growth in this regard.

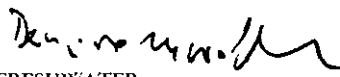
The improvement in rental income and in gross profit was to a considerable extent offset by an increase in professional costs relating mainly to developments in the UK and refinancing in the USA resulting in a profit before tax at a similar level to last year. The underlying improvement in performance enables the Board to recommend an increase in the total dividend for the year from 49p per share to 52p per share, an increase of 6.1%. If approved by shareholders, this will be the twenty-third consecutive annual increase in dividend distribution levels. We would hope to continue to be able to recommend increases in dividends in the future to reflect further improvements in the Group's income whilst retaining a sufficient share of the profit to ensure future growth on a sound and prudent basis.

We remain in a position of considerable financial strength with cash and undrawn loan facilities exceeding £70 million. In addition, our gearing - which is a measurement of the relationship between debt and gross assets - has fallen from 29.6% to 27.4% based on the values included on the balance sheet. Taking into account the valuation surplus of the trading properties which is not included in the balance sheet, gearing is even lower at 22%.

This places us in the fortunate position of being able to readily fund investment opportunities that are contemplated. We are, however, careful to preserve our purchasing ability for investments that are likely to yield the maximum benefit for the Group. We are always ready, if necessary, to bide our time, in order to acquire good quality properties with rental income exceeding interest costs and with anticipated capital growth.

For the future, we intend to build on our past successes and to seek to further enhance income and capital growth, exploiting opportunities both within the existing property portfolio and also those arising from the acquisition of new investments.

All corporate strategies depend for the success of their execution on the diligence and hard work of those who are charged with their implementation. I am fortunate to have the assistance of loyal and capable colleagues whose enthusiasm is a major factor in our achievements and to whom our sincere thanks are due.


B S E FRESHWATER
Chairman

Directors' Report

The Directors have pleasure in presenting their Report together with the Financial Statements for the year to 31 March 2002.

Principal Activities of the Group

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

Properties

A professional revaluation of all the Group's United Kingdom investment properties was carried out at 31 March 2002 by the Group's external valuers, Cardales, Chartered Surveyors, and a copy of their report appears on page 40. The resultant figures have been included in the Financial Statements now presented and the increase of £40.8 million over previous book values has been transferred to Revaluation Reserve. The Group's trading portfolio in the UK was also professionally valued at 31 March 2002 by the Group's external valuers Cardales which showed a surplus over book value of £148.5 million which has not been incorporated into the Financial Statements. The Group's United States properties were also professionally valued at 31 March 2002 and produced a total surplus of £33.5 million. Two of these properties have been reclassified as Fixed Assets and the applicable revaluation surplus of £7.3 million has been transferred to Revaluation Reserve. The remaining surplus of £26.2 million has not been incorporated into the Financial Statements.

Net Asset Values

Equity shareholders funds per share based on balance sheet values are £27.17. Taking into account the revaluation surplus on the trading properties this figure is increased to £37.90 per share. Allowing for full provision for taxation and fair value adjustment equity shareholders funds are calculated at £31.93.

Results & Dividend

The profit for the financial year amounted to £20,766,000 (2001 restated - £20,900,000). An Interim Dividend of 22p per share was paid on 15 March 2002 and the Directors now recommend the payment of a Final Dividend of 30p per share, making a total for the year of 52p per share, an increase of 3p over the previous year. The dividends will absorb £8,474,000 (2001 - £7,985,000) and will leave £12,292,000 (2001 restated - £12,915,000) to be added to retained profits.

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

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

	Property Income		Profit	
	UK £000	USA £000	UK £000	USA £000
Rents and Charges	65,106	14,051	34,708	6,264
Sales of Trading and Investment Properties	8,088	—	5,898	—
Other Activities	46	97	46	97
	73,240	14,148	40,652	6,361
Financing Charges (net)			(7,855)	(2,014)
Administrative and Other Expenses			(6,123)	(940)
			26,674	3,407
			3,407	
Profit before Taxation			30,081	

Payment Policy

It has long been the Group's policy to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that those suppliers are aware of those terms and to abide by the agreed terms of payment. The Group does not, however, follow any formal code or statement on payment practice. The Group does not have material trade creditor balances.

Directors

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

Mr B S E Freshwater

Mr D Davis

Mr S I Freshwater

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

No Director has a service contract.

Brief biographies of the Directors are as follows:-

Mr B S E Freshwater. Aged 54 - Joined the Board in December 1971 with primary responsibility for the Group's finances. In July 1976 he was appointed Managing Director and, additionally, became Chairman in July 1980.

Directors' Report (continued)

Mr D Davis. Aged 67 - A Chartered Accountant and member of the Institute of Taxation, was previously a partner in Cohen, Arnold & Co., the Group's consulting accountants. He relinquished his partnership in 1971 in order to devote more time to his numerous business and other interests. He has been a non-executive Director of the Company since December 1971.

Mr S I Freshwater. Aged 51 - Directs the Group's operations in the USA and also has responsibility for the Group's UK sales division. He has been a Director of the Company since January 1986.

Directors' Remuneration

Compliance

The Board considers that the Company has complied throughout the year with the requirements of the Combined Code in relation to Directors' remuneration with the exception of the provision relating to the formation and constitution of a remuneration committee (see page 12). In determining remuneration policy, the Board has given full consideration to the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority.

Policy

The remuneration policy adopted by the Board is designed to ensure that the Directors' interests are allied to the long-term growth of the Group and therefore to the interests of the shareholders as a whole. The Group does not operate any form of bonus scheme or share option scheme since the Executive Directors' salaries for the year are determined by the Board once the results for the year are known with any salary increase calculated and paid with effect from the beginning of the financial year.

In determining individual Directors' remuneration, consideration is given to the levels of remuneration paid to directors of public companies of a similar size in the property and other sectors.

Pensions

Mr B S E Freshwater participates in a Small Self-administered Pension Scheme which provides at any time after age 60 a sum of money to purchase a pension up to two-thirds of final salary subject to Inland Revenue limits and other statutory rules. The pension scheme also provides on death in service, for all contributions made to be applied in providing benefits for Mr Freshwater's dependants. This is a defined contribution scheme to which Mr B S E Freshwater contributes 15% of gross salary per annum. The figure for pension contributions shown below is the contribution paid by the Group.

Details of individual Director's remuneration are set out below on an accruals basis.

	Salary £	Fees £	Sub-total £	Pensions £	Total £
2002					
Mr B S E Freshwater	390,000	20,000	410,000	52,659	462,659
Mr D Davis	—	20,000	20,000	—	20,000
Mr S I Freshwater	409,000	20,000	429,000	—	429,000
	799,000	60,000	859,000	52,659	911,659

Pension to Widow of
former managing director

£77,500

	Salary £	Fees £	Sub-total £	Pensions £	Total £
2001					
Mr B S E Freshwater	370,000	20,000	390,000	57,159	447,159
Mr D Davis	—	20,000	20,000	—	20,000
Mr S I Freshwater	388,000	20,000	408,000	—	408,000
	758,000	60,000	818,000	57,159	875,159

Pension to Widow of
former managing director

£77,500

Directors' Interests

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

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

Details of the amounts paid for the provision of these services are set out in note 21 to the financial statements.

Directors' Report (continued)

Substantial Interests & Interests of Directors

Daejan Holdings PLC Ordinary Shares		31 March 2002	31 March 2001
D Davis	(notes 2 & 3)	763	763
B S E Freshwater	(notes 1, 2, 3 & 4)	590,033	590,033
S I Freshwater	(notes 2, 3 & 4)	89,270	89,270

Notes:

1. All the above holdings were beneficially owned. Mr B S E Freshwater's shareholding represents 3.6% of the Issued Share Capital of the Company.
2. A further 4,363,116 shares (2001 - 4,363,116) representing 26.8% of the Issued Share Capital of the Company were held by Freshwater family trusts and by charitable companies in which Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis have no beneficial interest.
3. In addition to the holding shown in the table and in note 2 above, companies owned and controlled by Mr B S E Freshwater, Mr S I Freshwater and by their families, and family trusts, held at 31 March 2002 a total of 7,876,431 shares (2001 - 7,876,431) representing 48.3% of the Issued Share Capital of the Company. Mr D Davis has a non-beneficial interest in some of these shares as a Director of the companies concerned, or as a trustee.
4. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
5. There have been no changes in any of the above interests since 31 March 2002.

Included in notes 2 and 3 are the following holdings, each amounting to 3% or more of the Company's Issued Share Capital:-

	Shares	%
Henry Davies (Holborn) Limited	1,934,090	11.9
Trustees of the B S E Freshwater Settlement	1,705,000	10.5
Trustees of the S I Freshwater Settlement	1,560,000	9.6
Distinctive Investments Limited	1,464,550	9.0
Quoted Securities Limited	1,305,631	8.0
Centremanor Limited	1,000,000	6.1
Mayfair Charities Limited	565,000	3.5

No other interest amounting to 3% or more of the Issued Share Capital has been notified to the Company as at the date of this report.

Capital Gains Tax

For the purpose of computing Capital Gains Tax the market value of the Company's Shares was 185p on 31 March 1982.

Charitable Donations

Charitable Donations amounted to £120,000 (2001 - £120,000). There were no political contributions (2001 - £Nil).

Auditors

The Company's auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, resolutions for the reappointment of KPMG Audit Plc as auditors of the Company, and to authorise the Directors to determine their remuneration, are to be proposed at the forthcoming Annual General Meeting.

By Order of the Board,

M R M Jenner

Secretary

30 July 2002



Corporate Governance

General matters

The Board is required by the Financial Services Authority to report on the extent of its application of the principles and of its compliance with the provisions contained in Section 1 of the Combined Code ("the Code").

Your Board fully supports the goal of better Corporate Governance and we comply with the majority of provisions of the Code with the exception of matters referred to below:-

We do not comply with the provisions of the Code in connection with non-executive representation on the Board, as we are doubtful that further extending non-executive participation at present would benefit our shareholders. We consider it vital that the principles of a unitary Board of Directors sharing responsibility for all facets of the Company's business should not be undermined by reserving areas of decision making solely for the non-executive Directors. For this reason the matters which the Code recommends should be reserved for audit and remuneration committees are dealt with by the whole Board and it is intended to continue this practice. In view of the fact that the Board comprises only three Directors it is also not considered necessary to split the roles of Chairman and Chief Executive.

Changes should be made when they are appropriate and in the best interests of the Company, rather than for the sake of change itself. This Company has a successful track record and whilst the Board will continue to keep under review any proposals which may improve the efficiency of its operations, the current structure has stood the Company in good stead over many years and should continue to do so in the future.

Directors

The Board meets regularly throughout the year on both a formal and an informal basis. Comprehensive management information covering all aspects of the Company's business is supplied to the Board in a timely manner and in a form and quality to enable it to discharge its duties. The Board's principal focus, in accordance with the formal schedule of matters referred to it for decision, is on the formation of strategy and the monitoring and control of operations and financial performance. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with. The Board has agreed a procedure for Directors in the furtherance of their duties to take independent professional advice if necessary, at the Company's expense.

The entire Board is responsible for the selection and approval of candidates for appointment to the Board. All Directors retire by rotation and submit themselves to shareholders for re-election at Annual General Meetings at regular intervals and at least every three years.

Directors' Remuneration

Details of the Directors' remuneration are contained in the Directors' Report on page 9.

Internal Controls

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant business risks faced by the Group, that this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is reviewed by the Board at regular intervals and accords with the Turnbull guidance.

Key elements of the Group's system of internal controls are as follows:—

Controls environment: The Group is committed to the highest standard of business conduct and seeks to maintain these standards across all its operations across the world. The Group has a clear organisational structure for planning, executing and monitoring business operations in order to achieve the Group's objectives. Lines of responsibility and delegation of authority are well defined.

Risk identification and evaluation: Management are responsible for the identification and evaluation of key risks applicable to the areas of the property market which impact their objectives. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources. The Board considers the risk implications of business decisions including those affecting all major transactions.

Information and communication: Periodic strategic reviews are carried out which include the consideration of long-term financial projections. Annual budgets are prepared and performance against plan is actively monitored at the Board level. Through these mechanisms Group performance is monitored, risks identified in a timely manner, their implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Control Procedures: The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures include physical controls, segregation of duties and reviews by management and external advisors.

Corporate Governance (continued)

Monitoring and corrective action: The Board meets regularly, formally and informally, throughout the year to review the internal controls. This includes an annual review of the significant business risks, formally considering the scope and effectiveness of the Group's system of internal control. In addition, the Directors and senior management staff have a close involvement in the day to day operations of the Group and as such the controls are subject to ongoing monitoring.

Investor Relations

The Board values communication with private and institutional shareholders and with analysts. The Annual General Meeting is used as an opportunity to meet private shareholders. Other opportunities are taken during the year to discuss strategic and other issues with institutional shareholders and analysts.

The Board continues to support the concept of individual resolutions on separate issues at Annual General Meetings. Details of proxy voting on each resolution are disclosed to the Meeting after it has been dealt with by a show of hands. In accordance with the Code, notice of the Annual General Meeting and the Report and Financial Statements will be sent to shareholders at least twenty working days before the meeting.

Financial Reporting

The Board are responsible for the preparation of the Report and Financial Statements within which they seek to present a balanced and understandable assessment of the Company's business. Further details are given in the Chairman's Statement.

Compliance Statement

The Board consider the Company has complied throughout the year ended 31 March 2002 with the provisions of the Code with the exception of the following paragraphs:-

paragraph	subject
A.2.1	strong independent non-executive element
A.3.1-2	appointment of non-executive directors
B.1.1-3	appointment of remuneration committee and their proceedings
B.1.9	
B.2.1-3	
B.2.5	
C.2.3	
D.3.1-2	appointment of audit committee and their proceedings

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Financial Reporting Standard 13

The Group operates a cautious financial policy within clear authorities on a non-speculative and long term basis in order to enable the Group to carry on its business in confidence and with strength. We aim to ensure that the Group's cost of capital is kept to a minimum through the maintenance of our many long standing relationships with leading banks and other financial institutions. The Group seeks to minimise the risk of sudden and unexpected rises in finance costs by way of financial derivative instruments whilst retaining some ability to take advantage of falling interest rates.

The fair values as at 31 March 2002 as set out in note 15 on page 34 exceeded the book values of the Group's borrowings and receivables by £6.7 million reflecting a reduction in long term interest rates since the rates were originally fixed. The adjustment to fair value would reduce reported net assets per share by 41p and would increase balance sheet gearing. After taking account of tax relief, the adjustment to net assets would be 29p per share.

There is no obligation or present intention to repay the borrowings other than at maturity.

Market values are affected by many external factors and ironically the stronger the company the higher the market value of its debt. The strength of the Group's balance sheet facilitates the raising of any finance that may be necessary for new acquisitions and further developments on competitive terms.

Directors' Responsibilities

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

Report of the Independent Auditors to the Members of Daejan Holdings PLC

We have audited the financial statements on pages 19 to 39.

Respective responsibilities of Directors & Auditors

The Directors are responsible for preparing the Annual Report. As described on page 16 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 15 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance

Independent Auditors' Report (continued)

that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

30 July 2002

Consolidated Profit & Loss Account

<i>for the year ended 31 March 2002</i>	<i>Notes</i>	2002 £000	2001 Restated £000
Turnover	2	85,823	80,066
Net Rental Income	2	40,972	38,006
Surplus on Sale of Trading Properties	2	5,591	4,622
Other Income	2	143	1,679
Gross Profit		46,706	44,307
Administrative and Other Expenses		(7,063)	(5,642)
Operating Profit		39,643	38,665
Surplus on Sale of Investment Properties	2	307	691
Profit on Ordinary Activities before Interest		39,950	39,356
Net Interest Payable and Other Similar Items	3	(9,869)	(9,591)
Profit on Ordinary Activities before Taxation	4	30,081	29,765
Tax on Profit on Ordinary Activities	5	(9,262)	(8,436)
Profit on Ordinary Activities after Taxation	6	20,819	21,329
Minority Interests - Equity		(53)	(429)
Profit for the Financial Year		20,766	20,900
Dividends: Interim		(3,585)	(3,096)
Final (proposed)		(4,889)	(4,889)
		(8,474)	(7,985)
Retained Profit for the Year	18	12,292	12,915
Earnings per Share	7	127.4p	128.3p

All activities are continuing.

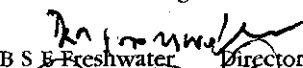

The notes on pages 25 to 39 form part of these Financial Statements.

The comparative figures for the year ended 31 March 2001 have been restated to reflect the change in accounting policies described on page 27.

Consolidated Balance Sheet

<i>as at 31 March 2002</i>	<i>Notes</i>	2002	2001
		£000	Restated £000
Fixed Assets			
Tangible Assets	8	533,581	465,481
Investments	9	617	617
		534,198	466,098
Current Assets			
Properties held for Trading	10	57,288	80,375
Debtors: Due within one year	11	28,251	25,811
Due after one year	11	2,042	2,726
		30,293	28,537
Investments	12	142	147
Cash at Bank		47,679	26,888
		135,402	135,947
Creditors: Amounts falling due within one year	13	(91,218)	(95,495)
Net Current Assets		44,184	40,452
Total Assets Less Current Liabilities		578,382	506,550
Creditors: Amounts falling due after more than one year	14	(127,271)	(116,154)
Provisions for liabilities and charges	16	(8,168)	(7,451)
Net Assets		442,943	382,945
Capital and Reserves			
Called up Share Capital	17	4,074	4,074
Share Premium Account	18	555	555
Revaluation Reserve	18	230,919	183,766
Other Reserves	18	6,784	7,134
Profit and Loss Account	18	200,443	187,322
Equity Shareholders' Funds		442,775	382,851
Minority Interests - Equity		168	94
		442,943	382,945
Equity Shareholders' Funds per Share	7	£27.17	£23.49

The Financial Statements on pages 19 to 39 were approved by the Board of Directors on 30 July 2002 and were signed on its behalf by:-


 B S B Freshwater Director

 D Davis Director

The notes on pages 25 to 39 form part of these Financial Statements.

Company Balance Sheet

<i>as at 31 March 2002</i>	<i>Notes</i>	2002	2001
		£000	Restated £000
Fixed Assets			
Investment in subsidiary undertakings	19	536,725	487,929
Current Assets			
Debtors: Due within one year	11	2	1
Cash at Bank		4,665	1,513
		4,667	1,514
Creditors: Amounts falling due within one year	13	(57,867)	(64,842)
Net Current Liabilities		(53,200)	(63,328)
Total Assets Less Current Liabilities		483,525	424,601
Creditors: Amounts falling due after more than one year	14	(40,750)	(41,750)
Net Assets		442,775	382,851
Capital and Reserves			
Called up Share Capital	17	4,074	4,074
Share Premium Account	18	555	555
Revaluation Reserve	18	252,828	197,387
Other Reserves	18	893	1,023
Profit and Loss Account	18	184,425	179,812
		442,775	382,851

The Financial Statements on pages 19 to 39 were approved by the Board of Directors on 30 July 2002 and were signed on its behalf by:

B S E Freshwater Director
D Davis Director

The notes on pages 25 to 39 form part of these Financial Statements.

Consolidated Cash Flow Statement

<i>for the year ended 31 March 2002</i>		2002		2001
	£000	£000	£000	£000
Operating activities				
Net cash inflow from operating activities (note 20(i))		42,307		9,740
Returns on investments and servicing of finance				
Interest received	1,865		3,131	
Interest paid	(11,499)		(13,288)	
Minority interests	23		(448)	
Net cash outflow from returns on investments and servicing of finance		(9,611)		(10,605)
Taxation				
UK Corporation tax paid	(9,639)		(7,471)	
Overseas tax paid	(889)		(66)	
		(10,528)		(7,537)
Capital expenditure				
Purchase of investment properties	(59)		(11,341)	
Sale of investment properties	1,385		3,253	
Net cash inflow/(outflow) for capital expenditure		1,326		(8,088)
Equity dividends paid		(8,474)		(7,496)
Cash inflow/(outflow) before financing		15,020		(23,986)
Financing				
Repayment of secured loans	(10,554)		(5,271)	
Loans	—		6,158	
Repayment of mortgage advances	(6,677)		(2,310)	
New mortgage advances	24,133		2,943	
Net cash inflow from financing (note 20(iii))		6,902		1,520
Increase/(Decrease) in cash in the year (note 20(iii))		21,922		(22,466)

The notes on pages 25 to 39 form part of these Financial Statements.

Consolidated Statement of Total Recognised Gains & Losses

<i>for the year ended 31 March 2002</i>	2002	2001
	£000	Restated £000
Profit for the financial year	20,766	20,900
Unrealised surplus on revaluation of investment properties	48,130	17,825
Tax on realisation of revalued properties	(148)	(6)
Translation differences on foreign currency net investments	(350)	2,451
Total net recognised gains relating to the year	68,398	41,170

Note on prior year adjustment

	2002
	£000
Total recognised gains and losses relating to the year (as above)	68,398
Prior year adjustment (see note 1)	(6,275)
Total net recognised gains since the last Annual Report	62,123

Note of Consolidated Historical Cost Profits & Losses

<i>for the year ended 31 March 2002</i>	2002	2001
	£000	Restated £000
Reported profit on ordinary activities before taxation	30,081	29,765
Realisation of investment property revaluation gains of previous years	977	59
Historical cost profit on ordinary activities before taxation	31,058	29,824
Historical cost profit for the year retained in the profit and loss account after tax, minority interests and dividends	13,121	12,968

Reconciliation of Movements in Consolidated Shareholders' Funds

	2002	2001
<i>for the year ended 31 March 2002</i>		Restated
	£000	£000
Profit for the financial year	20,766	20,900
Dividends: Interim	(3,585)	(3,096)
Final (proposed)	(4,889)	(4,889)
Retained profit for the year	12,292	12,915
Other net recognised gains and losses relating to the year	47,632	20,270
Net increase in shareholders' funds	59,924	33,185
Equity Shareholders' Funds brought forward, as previously reported	389,126	355,294
Prior year adjustment	(6,275)	(5,628)
Equity Shareholders' Funds brought forward, as restated	382,851	349,666
Equity Shareholders' Funds carried forward	442,775	382,851

The notes on pages 25 to 39 form part of these Financial Statements.

Notes to the Financial Statements

1. Principal Accounting Policies

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

(a) Basis of Accounting

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost convention modified by the revaluation of investment properties (note 1(g)) and investments in subsidiary undertakings (note 1(k)) and with the Companies Act 1985 except as noted below under note 1(d).

During the year the Group has adopted Financial Reporting Standards (FRS), 17 Retirement Benefits, 18 Accounting Policies, 19 Deferred Tax and Urgent Issues Task Force (UITF) Abstract 28 Operating Lease Incentives.

(b) Consolidation and Presentation of Financial Information

The Group Financial Statements consist of a consolidation of the Financial Statements of the Company with those of its subsidiary undertakings. All Financial Statements are drawn up to 31 March.

The Financial Statements of certain subsidiary undertakings have not been consolidated (see note 19). A separate profit and loss account dealing with the results of the Company only has not been presented, in accordance with Section 230(4), Companies Act 1985.

(c) Income Available for Distribution

Under the Articles of Association of certain Group investment undertakings, realised capital surpluses are not available for distribution as dividends and these surpluses are transferred from Consolidated Profit and Loss Account to Other Non-Distributable Reserves.

(d) Depreciation

In accordance with Statement of Standard Accounting Practice No. 19 investment properties are revalued annually. Surpluses or deficits arising are taken to the revaluation reserve. Any permanent diminution is taken to the profit and loss account for the year. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Leases having an unexpired term of less than 20 years are amortised evenly over the remaining period of the lease.

Notes to the Financial Statements (continued)

(e) Acquisitions and Disposals of Properties

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

(f) Deferred Taxation

Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date, except that as permitted by FRS 19, Deferred tax, no provision is made for the tax on unrealised property revaluation surpluses.

Deferred tax assets are recognised to the extent that they are considered recoverable.

(g) Properties

(i) Investment Properties

Investment properties are included in the Balance Sheet at professional valuation. Any surplus, and any temporary deficit is transferred to the revaluation reserve, and on realisation this surplus or deficit is transferred to the cumulative Consolidated Profit and Loss Account as a reserve movement. Deficits which are expected to be permanent are charged to Profit and Loss Account, and subsequent reversals of such deficits are credited to Profit and Loss Account in the same way.

(ii) Trading Properties

Trading properties are stated at the lower of cost and net realisable value.

(h) Foreign Currencies

Foreign currency borrowings and the assets, liabilities and results of the overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Differences on exchange arising from the translation of opening balance sheets of overseas companies at year end rates and on foreign currency borrowings used to finance long term foreign equity investments are taken directly to Non-Distributable Reserves. Other differences on exchange are dealt with in the Profit and Loss Account.

(i) Sales of Investment Properties

It is Group policy to sell, as individual units, flats in residential blocks which have been held as investments but which are now considered uneconomic to retain. Occasionally there are sales of residential and commercial investment blocks. Since such sales of all types of investment property are expected to continue, the resulting surplus based on the excess of sales proceeds over valuation is included within the Group profit on ordinary activities, and taxation applicable thereto is shown as part of the taxation charge.

(j) Repairs

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

(k) Investments in Subsidiary Undertakings

Investments in subsidiary undertakings are included in the Company Balance Sheet at Directors' valuation carried out at regular intervals and based on net asset value as shown in the subsidiaries financial statements.

(l) Turnover

Turnover comprises rent and service charges receivable and proceeds from the sale of trading properties.

(m) Changes in accounting policy

(1) UITF 28: Operating lease incentives

As required by the Urgent Issues Task Force Abstract 28, all incentives offered to tenants to enter into or renew leases have been accounted for by spreading the monetary value either over the relevant lease or a shorter period ending on a date from which it is expected that the prevailing market rental will be payable under the lease. Previously, rents had been recognised only over the periods for which these were due. The only impact on cash flow will be an acceleration of tax payments.

The effect of adopting the Abstract on the Group's results for the current and previous years is negligible.

(2) FRS 19: Deferred tax

In the current year the Group has adopted Financial Reporting Standard 19 which requires full provision in the accounts to be made for deferred tax on all timing differences with certain exceptions. Previously, provision was made for timing differences to the extent that it was probable that a liability would crystallise in the foreseeable future. While having no impact on cash flow, the change to full provision will increase the tax rate, though the use of brought forward tax losses will continue to impact and the future disposal of investment properties could give rise to provision releases. No discounting has been applied.

In adopting the Standard the Group has restated the previous year's results. The effect of adopting this Standard was a decrease in opening reserves of £6,275,000 and an increase in the tax charge of £726,000 for the current year and £647,000 for the prior year.

*Notes to the Financial Statements (continued)***2. Property Income**

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

	<i>Property Income</i>	<i>Costs</i>	<i>2002 Profit</i>	<i>Property Income</i>	<i>Costs</i>	<i>2001 Profit</i>
	£000	£000	£000	£000	£000	£000
Rents and service charges receivable (see (i) below)	79,157	(38,185)	40,972	75,009	(37,003)	38,006
Trading property sales	6,666	(1,075)	5,591	5,057	(435)	4,622
Investment property sales	1,422	(1,115)	307	3,266	(2,575)	691
Other income	143	—	143	1,679	—	1,679
	87,388	(40,375)	47,013	85,011	(40,013)	44,998

(Other income 2001 includes £1,500,000 being premium on a lease surrender.)

The geographical analysis of property income, profit and net assets is as follows:

	<i>2002</i>			<i>2001 restated</i>		
	<i>UK</i>	<i>USA</i>	<i>Total</i>	<i>UK</i>	<i>USA</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
Property income	73,240	14,148	87,388	72,612	12,399	85,011
Profit before financing charges	34,529	5,421	39,950	34,193	5,163	39,356
Financing charges	(7,855)	(2,014)	(9,869)	(8,770)	(821)	(9,591)
Profit on ordinary activities before taxation	26,674	3,407	30,081	25,423	4,342	29,765
Net assets	403,252	39,691	442,943	352,921	30,024	382,945

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

	<i>2002</i>	<i>2001</i>
	£000	£000
Wages and salaries	982	998
Social security costs	76	77
	1,058	1,075

These figures relate only to portering staff of whom an average number of 78 (2001 - 82) were employed during the year.

3. Net Interest Payable and Other Similar Items

	<i>2002</i>	<i>2001</i>
	£000	£000
Interest payable on bank loans and overdrafts	9,251	11,180
Other interest payable and similar charges	2,865	1,542
Interest receivable	(2,247)	(3,131)
Net interest payable and other similar items	9,869	9,591

4. Profit on Ordinary Activities before Taxation

	2002 £000	2001 £000
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration - Audit services (including irrecoverable VAT) - Group	359	370
- Company	20	20

The Group jointly employed an average of 143 persons during the year (2001: 144). The aggregate payroll costs were £4,497,000 (2001: £4,252,000). Details of the Directors' remuneration are contained in the Directors' Report on page 9.

The Group contributes to a Director's Pension Scheme as described on page 8 of the Directors' Report. There were no outstanding contributions or prepayments at the year end.

5. Tax on Profit on Ordinary Activities

	2002 £000	2001 Restated £000
Taxation based on the profit for the year		
UK corporation tax at 30% (2001 - 30%)	8,080	7,232
Overseas taxation	339	548
	8,419	7,780
Adjustments to prior years' charges	117	9
Total current tax	8,536	7,789
Deferred tax on origination and reversal of timing differences (Note 16)	726	647
	9,262	8,436

Factors affecting the tax charge for the year

Profit on ordinary activities before taxation	30,081	29,765
Corporation tax at the standard rate of 30% (2001 - 30%)	9,024	8,930
Expenses disallowed	129	4
Adjustments in respect of previous periods	117	9
Reduced tax on overseas profits not subject to UK corporation tax	(629)	(757)
Capital allowances	(53)	(78)
Differences arising from taxation of chargeable gains	(33)	(10)
Non-taxable income and other differences	(19)	(309)
	8,536	7,789

Note 16 sets out the Group's deferred taxation provision.

6. Profit on Ordinary Activities After Taxation

Profit after taxation of £13,087,000 arises in the holding company, £4,000,000 being dividends paid by subsidiary companies (2001 - £18,832,000; Dividends - £12,100,000).

*Notes to the Financial Statements (continued)**7. Earnings per Share/Equity Shareholders' Funds per Share*

Earnings per share is calculated on earnings, after taxation and minority interests, of £20,766,000 (2001 restated - £20,900,000) and the weighted average number of shares in issue during the year of 16,295,357 (2001 - 16,295,357).

Equity Shareholders' Funds per Share are calculated on Equity Shareholders' Funds of £442,775,000 (2001 restated - £382,851,000) and the number of shares in issue at the year end of 16,295,357 (2001 - 16,295,357).

8. Tangible Assets – Investment Properties

	<i>Freehold</i>	<i>Long Leasehold</i>	<i>Short Leasehold</i>	<i>Total 2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At Valuation 1 April 2001	365,039	86,236	14,206	465,481
Additions	2	57	—	59
Disposals	(1,077)	—	—	(1,077)
Transfer (see Note 10)	20,988	—	—	20,988
Revaluation	41,652	4,026	2,452	48,130
At Valuation 31 March 2002	426,604	90,319	16,658	533,581

The historical cost of investment properties is £301m.

A professional valuation of all the Group's United Kingdom investment properties was carried out at 31 March 2002 by Cardales, Chartered Surveyors. The revalued figures are based on open market values in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual. (See report on page 40.)

As mentioned in the Directors' Report on page 6, the Group's US properties were also professionally valued at 31 March 2002. Two of those properties, which were valued respectively by KTR Newmark and Meredith & Grew US General Certified Appraisers have been reclassified as investment properties and are disclosed at cost in the transfer figure above.

9. Investments held as Fixed Assets

Investments held as fixed assets in the Group Balance Sheet represent the cost of an interest in syndicates holding industrial buildings.

10. Properties held for Trading

	UK £000	USA £000	2002 Total £000	UK £000	USA £000	2001 Total £000
At the lower of cost and net realisable value	21,082	57,194	78,276	21,807	58,568	80,375
Transfer (see Note 8)	—	(20,988)	(20,988)	—	—	—
	21,082	36,206	57,288	21,807	58,568	80,375

£7,394,000 (2001 - £7,408,000) of the properties held for trading in the USA are held through shares in co-operative corporations.

The trading properties were professionally valued at 31 March 2002. This resulted in a surplus over book value of £148.5m in respect of the UK properties and £26.2m for the US properties.

	The Group		The Company	
	2002 £000	2001 £000	2002 £000	2001 £000
11. Debtors				
Rents and service charges	17,242	15,532	—	—
Other debtors and prepayments	10,488	10,279	2	1
Taxation	138	—	—	—
Mortgages granted repayable within one year	383	—	—	—
Due within one year	28,251	25,811	2	1
Mortgages granted repayable after one year	2,042	2,726	—	—
Due after one year	2,042	2,726	—	—
	30,293	28,537	2	1

12. Investments held as current assets

Investments held as current assets include listed securities of £127,000 (2001 - £132,000) held at the lower of cost and net realisable value. The market value of these securities at 31 March 2002 was £182,000 (2001 - £206,000).

	The Group		The Company	
	2002 £000	2001 £000	2002 £000	2001 £000
13. Creditors: amounts falling due within one year				
Bank loans and overdrafts (see note below)	55,377	61,957	51,104	57,076
Mortgage instalment	740	—	—	—
Rents and service charges charged in advance	11,984	11,551	—	—
Other creditors and accruals	12,741	9,958	1,067	975
Taxation	5,487	7,140	807	1,902
Dividends payable	4,889	4,889	4,889	4,889
	91,218	95,495	57,867	64,842

Note: Bank loans and overdrafts of the Group and of the Company are secured on certain of the Group's properties.

Notes to the Financial Statements (continued)

14. Creditors: amounts falling due after more than one year	The Group		The Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Unsecured loan stocks	1,792	1,792	—	—
Mortgage advances	40,730	24,340	—	—
Secured bank loans	84,749	90,022	40,750	41,750
	127,271	116,154	40,750	41,750

Analysis of creditors falling due after more than one year

	Interest rate	The Group		The Company	
		2002	2001	2002	2001
		£000	£000	£000	£000
Amounts repayable after 1 April 2007					
Unsecured loan stock 2007	8.25%	1,792	1,792	—	—
Mortgages	6.62%–8.4%	27,452	16,822	—	—
Secured bank loans	5.58%–8.55%	74,024	76,789	36,750	37,750
		103,268	95,403	36,750	37,750
Amounts repayable between 1 April 2004 and 31 March 2007					
Mortgages	6.37%–8.98%	13,278	6,741	—	—
Secured bank loans	6.35%–8.55%	7,416	7,961	3,000	3,000
		20,694	14,702	3,000	3,000
Amounts repayable between 1 April 2003 and 31 March 2004					
Mortgages		—	777	—	—
Secured bank loans	6.35%–8.55%	3,309	5,272	1,000	1,000
		3,309	6,049	1,000	1,000
Total amount of Long Term Loans		127,271	116,154	40,750	41,750
Amount of Long Term Loans secured on certain of the Group's properties		125,479	114,362	40,750	41,750

15. Financial instruments

The Group's strategy in respect of the use of financial instruments to manage risk is detailed on page 15.

The Group has taken advantage of the exemption under FRS 13, that short term debtors and creditors be excluded from the following disclosures.

Financial assets

The Group's financial assets are long term debtors (Note 11), current asset investments (Note 12) and cash at bank and in hand.

The interest rate and liquidity risk profile of cash balances of the Group is set out below:

	2002 £000	2001 £000
Cash - Sterling denominated	29,541	23,432
Cash - US dollar denominated	18,138	3,456
Total	47,679	26,888

All cash balances receive interest at a variable rate with reference to LIBOR for sterling denominated balances and US Prime rate for US dollar denominated balances. All cash balances are repayable on demand.

The Group has mortgages receivable of £2,425,000 which are denominated in US dollars. £891,000 of these mortgages are at variable rates with £1,534,000 at fixed interest rates. For the variable rate mortgages interest is charged with reference to US Prime rates. The mortgages mature between November 2002 and December 2011.

The weighted average interest rate of the fixed rate receivables is 7.72% (2001 - 10.75%) and the weighted average period for which the receivable is fixed is 7.2 years (2001 - 8.2 years).

Current asset investments are denominated in Sterling.

Financial liabilities*Liquidity risk - profile*

The maturity profile of the Group's financial liabilities is set out below:

	2002 £000	2001 £000
Within one year or less or on demand	56,117	61,957
Between one and two years	3,309	6,049
Between two and five years	20,694	14,702
After five years	103,268	95,403
	183,388	178,111

The Group has undrawn borrowing facilities of £18.9m which expire within one year and £5m which expire after five years.

Interest rate risk - profile

The interest rate profile of the Group's financial liabilities 31 March, after taking account of interest rate instruments taken out by the Group was:

	2002 £000	2001 £000
Floating rate liabilities — Sterling denominated	80,750	82,837
Floating rate liabilities — US dollar denominated	9,854	15,826
Fixed rate liabilities — Sterling denominated	51,314	55,108
Fixed rate liabilities — US dollar denominated	41,470	24,340
	183,388	178,111

Notes to the Financial Statements (continued)

The floating rate financial liabilities comprise:

- Sterling denominated bank borrowings bearing rates based on LIBOR.
- US dollar denominated bank borrowings bearing rates based on US Prime rate.

Hedge profile - type and maturity of protection

The weighted average interest rate on the fixed rate debt was 7.8% (2001 - 8.3%) and the weighted average period for which the borrowing is fixed at 31 March 2002 was 13 years (2001 - 11 years).

All of the £51,314,000 of fixed rate swaps and unsecured loan stocks mature after five years. In addition to the existing swaps there are contracted hedge positions of £18,750,000 which start in 2003.

Fair value of financial assets and liabilities

The table below sets out by category the book values and fair value of the Group's financial assets and liabilities:

			2002		2001
	Book value	Notional	Fair value	Fair value	Fair value
	£000	Principal	adjustment	£000	adjustment
		£000	£000	£000	£000
Financial instruments held or issued to					
finance the Group's operations					
<i>Assets:</i>					
Investments held as current assets	127	—	55	182	74
Mortgages receivable	1,534	—	(73)	1,461	694
<i>Liabilities:</i>					
Floating rate debt	(90,604)	—	—	(90,604)	—
Fixed rate debt	(92,784)	—	(6,626)	(99,410)	(8,123)
Interest rate swaps	—	(18,750)	(44)	(44)	(116)
Fair value adjustment			(6,688)		(7,471)

The fair values were calculated as at 31 March 2002 and reflect the replacement values of the financial instruments used to manage the Group's exposure to adverse interest rate movements. All gains and losses arising from hedging instruments crystallised during the year have been recognised in the profit and loss account.

A recalculation of the fair value adjustment has been carried out at 10 July 2002 (the last practical date before the printing of these Financial Statements) which due to movements in interest rates since 31 March 2002 has resulted in a current fair value adjustment of £9.9m in place of the March figure of £6.7m.

Currency profile

The Group had net monetary assets of £1,284,000 (2001: £251,000) denominated in US dollars held in entities using Sterling as the functional currency.

<i>16. Provisions for liabilities and charges</i>	<i>2002</i>
	<i>£000</i>
Deferred taxation:	
At 1 April 2001 as previously reported	1,176
Prior year adjustment	6,275
At 1 April 2001 as restated	7,451
Charge to profit and loss account	726
Foreign exchange movement	(9)
At 31 March 2002	8,168

The provision represents deferred tax on timing differences resulting from capital allowances, tax depreciation and industrial building allowances.

In the event of a realisation of the Group's investment properties at an amount equal to the valuation recorded in the Financial Statements, a liability to corporation tax on chargeable gains would arise estimated at not more than £35.4m (2001 - £21.3m) and for which no provision has been made in these Financial Statements in accordance with FRS 19.

<i>17. Share Capital</i>	<i>Number</i>	<i>2002</i>	<i>2001</i>
		<i>£000</i>	<i>£000</i>
Authorised:			
Ordinary shares of 25 pence per share	18,722,596	4,681	4,681
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	16,295,357	4,074	4,074

Notes to the Financial Statements (continued)

18. Reserves	The Group £000	£000	The Company £000	£000
Share Premium Account:				
At 1 April 2001 and 31 March 2002		555		555
Revaluation Reserve:				
At 1 April 2001 as previously reported	183,766		203,662	
Prior year adjustment	—		(6,275)	
At 1 April 2001 as restated	183,766		197,387	
Transfer to profit and loss account of revaluation surplus on investment properties now realised	(977)		—	
Fixed asset revaluation	48,130		55,441	
At 31 March 2002		230,919		252,828
Other Non-Distributable Reserves:				
At 1 April 2001	7,134		1,023	
Translation differences on foreign currency net investments	(350)		(130)	
At 31 March 2002		6,784		893
Profit and Loss Account:				
At 1 April 2001 as previously reported	193,597		179,812	
Prior year adjustment	(6,275)		—	
At 1 April 2001 as restated	187,322		179,812	
Revaluation reserve realised on disposal	977		—	
Tax on revaluation reserve realised	(148)		—	
Retained profit for the year	12,292		4,613	
At 31 March 2002		200,443		184,425

The revaluation reserves arise from the revaluation of investment properties and investments in subsidiary undertakings in the Group and Company respectively.

19. Investment in subsidiary undertakings	Shares at valuation £000	Loans £000	Total £000
The Company			
At 1 April 2001 as previously reported	223,289	270,915	494,204
Prior year adjustment	(6,275)	—	(6,275)
At 1 April 2001 as restated	217,014	270,915	487,929
Repayments	—	(6,399)	(6,399)
Revaluation	55,441	—	55,441
Effect of foreign exchange differences	(246)	—	(246)
At 31 March 2002	272,209	264,516	536,725

The historical cost of shares in subsidiary undertakings is £17,876,000 (2001 - £17,876,000).

Shares in subsidiary undertakings have been valued by the Directors at 31 March 2002 based on the net asset values of the subsidiary undertakings.

The results of certain subsidiary undertakings, acquired at a cost of £146,000 and valued by the Directors at £Nil (2001 - £Nil) have been excluded from the Consolidated Financial Statements. The combined profits since acquisition attributable to the Company as indicated by their financial statements amounted to £40,000 (2001 - £40,000) and their aggregate liabilities at 31 March 2002 were £54,000 (2001 - £54,000). The inclusion of these undertakings would not materially affect the Consolidated Financial Statements.

20. Notes to the Consolidated Cash Flow Statement

(i) Reconciliation of operating profit to net cash inflow from operating activities.

	2002 £000	2001 £000
Operating profit	39,643	38,665
Decrease/(Increase) in properties held for trading (see Note 10)	1,315	(20,346)
Increase in debtors	(1,806)	(8,159)
Increase/(Decrease) in creditors	3,150	(399)
Decrease/(Increase) in investments held as current assets	5	(21)
Net cash inflow from operating activities	42,307	9,740

(ii) Reconciliation of net cash flow to movement in net debt

	2002 £000	2001 £000
Increase/(Decrease) in cash	21,922	(22,466)
Loan facilities	—	(6,158)
New mortgage advances	(24,133)	(2,943)
Repayment of financing	17,231	7,581
Change in net debt resulting from cash flows	15,020	(23,986)
Exchange movements	494	(2,215)
Change in net debt	15,514	(26,201)
Opening net debt	(151,223)	(125,022)
Closing net debt	(135,709)	(151,223)

(iii) Analysis of changes in net debt

	1 April 2001 £000	Cash flow £000	Exchange movements £000	31 March 2002 £000
Cash at bank and in hand	26,888	20,835	(44)	47,679
Overdrafts	(1,087)	1,087	—	—
	25,801	21,922	(44)	47,679
Secured loans	(150,892)	10,554	212	(140,126)
Unsecured loan stock	(1,792)	—	—	(1,792)
Mortgage advances	(24,340)	(17,456)	326	(41,470)
	(151,223)	15,020	494	(135,709)

Notes to the Financial Statements (continued)

21. Directors' interests

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

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

The net amounts paid for the provision of various management services charged by the Group's managing agents Highdorn Co. Limited and Freshwater Property Management Limited were £3.3m (2001 - £3.1m).

At 31 March 2002 £2.9m was due from Highdorn Co. Limited and Freshwater Property Management Ltd. (2001 - £0.3m).

The Directors interests in the Company and the principal shareholders are described on pages 9 and 10.

22. Contingent liabilities

The Company has guaranteed bank and mortgage indebtedness and unsecured loan stock of certain subsidiary undertakings which at 31 March 2002 amounted to £43.3m (2001 - £52.1m).

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

23. *Principal Subsidiary Undertakings*

The following are wholly owned property companies included in the Consolidated Financial Statements.

Incorporated in the UK and registered in England

Astral Estates (London) Limited	Daejan (Lauderdale) Limited
Bampton Holdings Limited	Daejan (Norwich) Limited
Bampton (B&B) Limited	Daejan (NUV) Limited
Bampton (Redbridge) Limited	Daejan Properties Limited
Brickfield Properties Limited	Daejan (Reading) Limited
City and Country Properties Limited	Daejan Retail Properties Limited
City and Country Properties (Birmingham) Limited	Daejan Securities Limited - <i>Share Dealer</i>
City and Country Properties (Camberley) Limited	Daejan (Taunton) Limited
City and Country Properties (Midlands) Limited	Daejan (Warwick) Limited
Daejan (Brighton) Limited	Daejan (Worcester) Limited
Daejan (Cardiff) Limited	Hampstead Way Investments Limited
Daejan Commercial Properties Limited	Limebridge Co. Limited
Daejan (Dartford) Limited	Pegasus Investment Company Limited
Daejan Developments Limited	Rosebel Holdings Limited
Daejan (Durham) Limited	Seaglen Investments Limited
Daejan Enterprises Limited	St. Leonards Properties Limited
Daejan Estates Limited	The Bampton Property Group Limited
Daejan (FH 1998) Limited	The Cromlech Property Co. Limited
Daejan (FHNV 1998) Limited	The Halliard Property Co. Limited
Daejan (High Wycombe) Limited	
Daejan Investments Limited	<i>Incorporated in the USA</i>
Daejan Investments (Grove Hall) Limited	Daejan Holdings (US) Inc.
Daejan Investments (Harrow) Limited	Daejan (NY) Limited
Daejan Investments (Park) Limited	Daejan Enterprises Inc.
Daejan (Kingston) Limited	

Report of the Valuers

The Directors,
Daejan Holdings PLC
158-162 Shaftesbury Avenue
London
WC2H 8HR

Gentlemen,

As instructed we have valued for the purpose of your Company's accounts both the investment and trading properties owned by its subsidiaries in the United Kingdom as at 31 March 2002. The properties are listed in our separate detailed schedules.

We have not had access to Title Deeds and our valuation is on the basis of the information supplied to us by you as to tenure and occupancy and other relevant information.

The properties have been valued individually on the basis of open market value and in the case of Freshwater House on the basis of Existing Use Value in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors, Appraisal and Valuation Manual.

No allowance has been made for expenses of realisation or for any taxation which may arise, and our valuations are expressed exclusive of any Value Added Tax that may become chargeable.

Our valuations assume that the properties are free from any undisclosed onerous burdens, outgoing or restrictions. We have not seen planning consents and have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents.

We have not carried out Structural Surveys of the properties nor have we tested the services. Our valuations assume that the buildings contain no deleterious materials.

We confirm that the valuations have been carried out by us as External Valuers qualified for the purpose of the valuation.

The valuation is made, subject to our Standard Terms of Engagement and General Principles applied in the preparation of Valuations and Reports provided to you and in accordance with instructions, the properties are inspected on a three-yearly cycle.

Having regard to the foregoing we are of the opinion that the aggregate of the values of your Company's property interests in the United Kingdom as at 31 March 2002 is £674,887,000.

In accordance with our standard practice, we must state that this valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Yours faithfully,

Cardales
Chartered Surveyors
1 Lumley Street,
London W1Y 2ND
31 March 2002

Five-Year Record

	1998	1999	2000	2001 Restated	2002
	£000	£000	£000	£000	£000
Turnover	62,764	66,337	74,649	80,066	85,823
Net Rental Income	30,121	33,229	34,831	38,006	40,972
Surplus on Sale of Trading Properties	6,636	6,099	9,086	4,622	5,591
Other Income	290	256	177	1,679	143
Gross profit	37,047	39,584	44,094	44,307	46,706
Group Profit before Taxation	27,101	28,554	31,189	29,765	30,081
Taxation	7,560	7,744	8,500	8,436	9,262
Minority Interests	131	304	581	429	53
Available Surplus	19,410	20,506	22,108	20,900	20,766
Earnings: p. per Share	119.1	125.8	135.7	128.3	127.4
Dividends: p. per Share	42.0	44.0	46.0	49.0	52.0
Gross Assets	457,836	535,325	565,669	602,045	669,600
Equity Shareholders' Funds	291,245	323,506	355,294	382,851	442,775
Equity Shareholders' Funds: £ per Share (based on balance sheet figures)	17.87	19.85	21.80	23.49	27.17
Represented by:					
Share Capital	4,074	4,074	4,074	4,074	4,074
Reserves and Retained Profit	287,171	319,432	351,220	378,777	438,701
Equity Shareholders' Funds	291,245	323,506	355,294	382,851	442,775

Directors & Advisers

Directors

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

Secretary

M R M Jenner F.C.I.S.

Registered & Head Office

Freshwater House,
158-162 Shaftesbury Avenue,
London WC2H 8HR
Registered in England
No. 305105

Registrars

Lloyds TSB Registrars,
The Causeway,
Worthing,
West Sussex BN99 6DA

Auditors

KPMG Audit Plc,
8 Salisbury Square,
London EC4Y 8BB

Consulting Accountants

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

Principal Bankers

Lloyds TSB Bank Plc
Barclays Bank PLC
The Royal Bank of Scotland Group

Stockbrokers

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

Notice of Meeting

Notice is hereby given that the Sixty-seventh Annual General Meeting of Daejan Holdings PLC will be held at The Methven Room, CBL 1st Floor, Centre Point, New Oxford Street, London WC1, on Friday 4 October 2002 at 12 noon, for the following purposes:-

1. To receive the Financial Statements for the year ended 31 March 2002 together with the Reports of the Directors and the Auditors. (Resolution 1.)
2. To declare a final dividend. (Resolution 2.)
3. To re-elect Mr B S E Freshwater as a Director. (Resolution 3.)
4. To re-appoint KPMG Audit Plc as Auditors, and to authorise the Directors to agree their remuneration. (Resolution 4.)

By Order of the Board,

M R M Jenner

Secretary

30 July 2002

A Member entitled to attend and vote may appoint one or more proxies to attend, and on a poll, to vote instead of him. A proxy need not be a Member of the Company. Only those Members registered in the Register of Members of the Company as at 6.00 pm on 2 October 2002 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. To be valid, forms of proxy must be received by the Company's Registrars at least 48 hours before the time fixed for the Meeting.

The recommended final dividend will, if approved, be paid on 1 November 2002 to Shareholders registered at the close of business on 4 October 2002.

No Director has a service contract.
