

directors and advisers

Directors

B S E Freshwater

(Chairman and Managing Director)

D Davis

S I Freshwater

Secretary

M Hutchinson A.C.I.S.

Registered and 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

National Westminster Bank PLC

Barclays Bank PLC

The Royal Bank of Scotland plc

Stockbrokers

Kleinwort Benson Securities Limited

20 Fenchurch Street,

London EC3P 3DB



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COMPANIES HOUSE 20/10/01



A21 *AFC434GS* 0486
COMPANIES HOUSE 28/09/01

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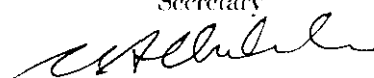
London EC3P 3DB

notice of meeting

Notice is hereby given that the Sixty-sixth Annual General Meeting of Daejan Holdings PLC will be held at The Methven Room, CBI, 1st Floor, Centre Point, New Oxford Street, London WC1, on 7 September 2001 at 12 noon, for the following purposes:-

1. To receive the Financial Statements for the year ended 31 March 2001 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 S I Freshwater as a Director. (Resolution 3.)
4. To re-appoint KPMG Audit Plc as Auditors. (Resolution 4.)
5. To authorise the Directors to determine the Auditors' remuneration. (Resolution 5.)

By Order of the Board,
M Hutchinson
Secretary



26 July 2001

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 5 September 2001 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 October 2001 to Shareholders registered at the close of business on 3 August 2001.

No Director has a service contract.

results at a glance

	<i>Year ended 31 March</i>		
	2001	2000	% increase/ (decrease)
	£000	£000	
Profit before Taxation	29,765	31,189	(4.6)
Profit after Taxation	21,976	22,689	(3.1)
Earnings per Share	132.2p	135.7p	(2.6)
Dividends per Share	49.0p	46.0p	6.5
Equity Shareholders' Funds per Share (based on Balance Sheet values)	£23.88	£21.80	9.5

Final Dividend of 30p per share payable on 1 October 2001

chairman's statement

The accounts that I now have pleasure in presenting reflect the Group's continued progress which is very satisfactory notwithstanding that profits have fallen by £1.4 million to £29.8 million. This is as a result of our policy of restricting the level of sales of property and, accordingly, profits from this source are reduced from £10.2 million to £5.3 million, a reduction of £4.9 million. Further, our property maintenance programme has been materially increased. The total cost of repairs has, as a result, risen from £12 million to £17 million, producing an extra charge against profits. On the other hand, profits have benefited from the strength of rental and other income which has to a considerable degree augmented the profits for the year.

It has been our policy to seek to improve the quality of our earnings by the retention of properties as income producing assets in order to benefit from future recurring rents and continued capital growth. Our success in achieving this is illustrated by the table which shows that net investment income, defined as the annual profit emanating from sources other than from sales, has, over the past five years, improved from £15.2 million to £24.5 million, an increase of £9.3 million (61%).

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Surplus from property sales	5.3	10.2	8.4	9.6	9.3
Net investment income	24.5	21.0	20.2	17.5	15.2
Profit Before Taxation	29.8	31.2	28.6	27.1	24.5

In view of these results, the Board is pleased to recommend a final dividend of 30 pence per share bringing the total distribution for the year to 49 pence per share, an increase of 6.5%.

The Group's net assets as disclosed in the balance sheet have increased by £33.8 million, an improvement of 9.5%. This increase in value is after taking into account the dividend being paid to shareholders. In addition, the Group's properties that are held for trading appear in the balance sheet at original cost and the considerable increase in value of these holdings is not incorporated into the balance sheet. The trading properties were last valued in 1997 and produced a valuation surplus of £67.5 million. Whilst since then some trading properties reflected in this £67.5 million surplus have been sold, I have no doubt that both the properties still retained and also the trading properties purchased subsequently have improved in value providing an additional overall enhancement to net asset value. The trading properties are professionally valued on a quinquennial basis and are thus due to be revalued next year. Meanwhile, I am confident that the value of our present property holdings is in excess of £600 million.

We have, during the year, made significant acquisitions at a total cost of £36.2 million of which £11.3 million was in the UK and £24.9 million in the USA. Our purchases have included

chairman's statement *(continued)*

100,000 sq ft of offices at Cadogan Square in Glasgow City centre and a second office building in Boston USA.

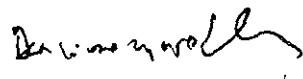
Our USA property assets now consist of over 1,800 residential units, some smaller commercial investments and 220,000 sq ft of office space in the North Station section of Boston at Portland Street (Photograph on page 3). North Station has become an increasingly popular office location and rental values have already improved significantly due to a major project for environmental and highway improvements that is being financed by the Federal Government at a cost which has been estimated at 14 billion dollars. This project, which is well underway, is scheduled for completion in 2007 and should benefit our properties considerably.

The total cost of our USA holding is £58.5 million. This year the USA portfolio contributed £4.3 million to group annual profits and, even with the downturn in the USA economy, we are confident that it will continue to provide a useful source of profit and of capital growth.

We remain in a position of financial strength. Despite the purchases during the year, our gearing – which is a measurement of the relationship between debt and assets – has fallen from 31% to 29.6%. Consequently, we maintain the capacity to take advantage of investment opportunities that we consider suitable. Our investment policy over the years has been to avoid heavy commitment to speculative developments and to the very low yielding properties often favoured by the institutional funds. Instead, we have concentrated our efforts to increase those holdings which, whilst of good quality, also have a reasonable initial yield and an inherent expectation of capital growth. Over the past five years we have purchased properties at a cost of over £130 million and have seen our gross rent roll grow by £20 million, an increase of 50%.

We seek to follow strategic aims that are clear and yet flexible. Over the years this has enabled the Group to benefit from substantial and sustained growth. It is my belief that the future prosperity of the Group will be no less than has been enjoyed hitherto.

In conclusion, I would like to take this opportunity of expressing on your behalf our thanks to the hard working members of our staff, for their energy and commitment which is a constant and vital factor in our success.


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 2001.

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 2001 by the Group's external valuers, Cardales, Chartered Surveyors, and a copy of their report appears on page 39. The resultant figures have been included in the Financial Statements now presented and the increase of £17.8 million over previous book values has been transferred to Revaluation Reserve. The Group's trading portfolio in the UK was professionally valued at 31 March 1997 by the Group's external valuers and, at that time, showed a surplus over book value of £63.6 million which was not incorporated into the Financial Statements. The Group's United States trading portfolio was valued by the Directors at 31 March 1997 and, at that time, showed a surplus over book value of £3.9 million which was not incorporated into the Financial Statements.

Results and Dividend

The profit for the financial year amounted to £21,547,000 (2000 – £22,105,000). An Interim Dividend of 19p per share was paid on 14 March 2001 and the Directors now recommend the payment of a Final Dividend of 30p per share, making a total for the year of 49p per share, an increase of 3p over the previous year. The dividends will absorb £7,985,000 (2000 – £7,496,000) and will leave £13,562,000 (2000 – £14,612,000) to be added to retained profits.

A review of the activities of the Group is contained in the Chairman's Statement on pages 5 and 6.

directors' report *(continued)*

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	63,759	11,250	33,598	4,408
Sales of Trading and Investment Properties	7,228	1,095	4,218	1,095
Other Activities	1,625	54	1,625	54
	72,612	12,399	39,441	5,557
Financing Charges (net)			(8,770)	(821)
Administrative and Other Expenses			(5,248)	(394)
			25,423	4,342
			4,342	
Profit before Taxation			29,765	

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 S I 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 53 - 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.

Mr D Davis, Aged 66 - 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 50 - 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' report *(continued)*

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 13). 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 contributory 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 in respect of Mr B S E Freshwater and is in accordance with actuarial advice and within statutory limits.

directors' report *(continued)*

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

2001	Salary £	Fees £	Sub-total £	Pensions £	Total £
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
2000	Salary £	Fees £	Sub-total £	Pensions £	Total £
Mr B S E Freshwater	350,000	15,000	365,000	24,105	389,105
Mr D Davis	—	15,000	15,000	—	15,000
Mr S I Freshwater	347,000	15,000	362,000	—	362,000
	697,000	45,000	742,000	24,105	766,105
Pension to Widow of former managing director					£77,500

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' 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 and Interests of Directors

Dacjan Holdings PLC		31 March	31 March
Ordinary Shares		2001	2000
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 (2000 - 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 2001 a total of 7,876,431 shares (2000 - 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 2001.

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
Centremor 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.

directors' report *(continued)*

Substantial Interests and Interests of Directors

Dacjan Holdings PLC Ordinary Shares		31 March 2001	31 March 2000
D Davis	(notes 2 & 3)	763	763
B S E Freshwater	(notes 1, 2, 3 & 4)	590,033	590,033
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directors' report *(continued)*

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

During the year the Group made charitable donations totalling £120,000 (*2000 – £120,000*) net under Deed of Covenant.

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 Hutchinson

Secretary

26 July 2001



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 the Combined Code – Principles of Good Governance and Code of Best Practice (derived from the Cadbury, Greenbury and Hampel Committee Reports).

Your Board supports fully the goal of better Corporate Governance and we comply with the majority of provisions of the Code.

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.

corporate governance *(continued)*

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 10.

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 Combined Code introduced a requirement that the directors' review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including: financial, operational, compliance, and risk management.

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

corporate governance (continued)

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, reviews by management and external audit to the extent necessary to arrive at their audit opinion.

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 Statement 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 Statement 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.

corporate governance *(continued)*

Compliance Statement

The Board consider the Company has complied throughout the year ended 31 March 2001 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	appointment of audit committee and their proceedings
D.3.1-2	

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 insure 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 2001 as set out in note 15 on page 33 exceeded the book values of the Group's borrowings and receivables by £7.5 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 46p and would increase balance sheet gearing. After taking account of tax relief, the adjustment to net assets would be 32p 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.

corporate governance *(continued)*

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.

auditors' report

Report of the Auditors to the Members of Daejan Holdings PLC

We have audited the financial statements on pages 20 to 38.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 17 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. 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 16 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's Statement on internal control covers 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

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 2001 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

26 July 2001

consolidated profit and loss account *for the year ended 31 March 2001*

	<i>Notes</i>	2001 £000	2000 £000
Net Rental Income	2	38,006	34,831
Surplus on Sale of Trading Properties	2	4,622	9,086
Other Income	2	1,679	177
Gross Profit		44,307	44,094
Administrative and Other Expenses		(5,642)	(5,513)
Operating Profit		38,665	38,581
Surplus on Sale of Investment Properties	2	691	1,118
Profit on Ordinary Activities before Interest		39,356	39,699
Net Interest Payable and Other Similar Items	3	(9,591)	(8,510)
Profit on Ordinary Activities before Taxation	4	29,765	31,189
Tax on Profit on Ordinary Activities	5	(7,789)	(8,500)
Profit on Ordinary Activities after Taxation	6	21,976	22,689
Minority Interests - Equity		(429)	(581)
Profit for the Financial Year		21,547	22,108
Dividends: Interim		(3,096)	(3,096)
Final (proposed)		(4,889)	(4,400)
		(7,985)	(7,496)
Retained Profit for the Year	18	13,562	14,612
Earnings per Share	7	132.2p	135.7p

All activities are continuing.

The notes on pages 25 to 38 form part of these Financial Statements.

consolidated profit and loss account *for the year ended 31 March 2001*

	<i>Notes</i>	2001 £000	2000 £000
Net Rental Income	2	38,006	34,831
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All activities are continuing.

The notes on pages 25 to 38 form part of these Financial Statements.

consolidated balance sheet as at 31 March 2001

	Notes	2001 £000	2000 £000
Fixed Assets			
Tangible Assets	5	465,481	438,856
Investments	9	617	617
		466,098	439,473
Current Assets			
Properties held for Trading	10	80,375	55,854
Debtors: Due within one year	11	25,811	17,186
Due after one year	11	2,726	2,427
		28,537	19,613
Investments	12	147	129
Cash at Bank		26,888	50,600
		135,947	126,196
Creditors: Amounts falling due within one year	13	(95,495)	(91,439)
Net Current Assets		40,452	34,757
Total Assets Less Current Liabilities		506,550	474,230
Creditors: Amounts falling due after more than one year	14	(116,154)	(117,734)
Provisions for liabilities and charges	16	(1,176)	(1,102)
Net Assets		389,220	355,394
Capital and Reserves			
Called up Share Capital	17	4,074	4,074
Share Premium Account	18	555	555
Revaluation Reserve	18	183,766	166,000
Other Reserves	18	7,134	4,683
Profit and Loss Account	18	193,597	179,982
Equity Shareholders' Funds		389,126	355,294
Minority Interests - Equity		94	100
		389,220	355,394
Equity Shareholders' Funds per Share	7	£23.88	£21.80

The Financial Statements on pages 20 to 38 were approved by the Board of Directors on 26 July 2001 and were signed on its behalf by:

B S E Freshwater  Director

D Davis  Director

The notes on pages 25 to 38 form part of these Financial Statements.

company balance sheet as at 31 March 2001

	Notes	2001 £000	2000 £000
Fixed Assets			
Investment in subsidiary undertakings	19	494,204	451,583
Current Assets			
Debtors: Due within one year	11	1	4
Cash at bank		1,513	3,165
		1,514	3,169
Creditors: Amounts falling due within one year	13	(64,842)	(56,472)
Net Current Liabilities		(63,328)	(53,303)
Total Assets Less Current Liabilities		430,876	398,280
Creditors: Amounts falling due after more than one year	14	(41,750)	(42,986)
Net Assets		389,126	355,294
Capital and Reserves			
Called up Share Capital	15	4,074	4,074
Share Premium Account	15	555	555
Revaluation Reserve	15	203,662	181,700
Other Reserves	15	1,023	—
Profit and Loss Account	15	179,812	168,965
		389,126	355,294

The Financial Statements on pages 20 to 38 were approved by the Board of Directors on 26 July 2001 and were signed on its behalf by:

B S E Freshwater
D Davis

Director
Director

The notes on pages 25 to 38 form part of these Financial Statements.

consolidated cash flow statement *for the year ended 31 March 2001*

	2001	2000
£000	£000	£000
Operating activities		
Net cash inflow from operating activities (note 20(i))	9,740	40,742
Returns on investments and servicing of finance		
Interest received	3,131	3,040
Interest paid	(13,288)	(11,799)
Distribution to minority	(448)	(571)
Net cash outflow from returns on investments and servicing of finance	(10,605)	(9,330)
Taxation		
UK Corporation tax paid	(7,471)	(9,072)
Overseas tax paid	(66)	(58)
	(7,537)	(9,130)
Capital expenditure		
Purchase of investment properties	(11,341)	(21,081)
Sale of investment properties	3,253	4,853
Net cash outflow for capital expenditure	(8,088)	(16,228)
Acquisition		
Purchase of Minority Interest	—	(250)
Equity dividends paid	(7,496)	(10,266)
Cash outflow before financing	(23,986)	(4,462)
Financing		
Repayment of secured loans	(5,271)	(4,208)
Loans	6,158	3,000
Repayment of mortgage advances	(2,310)	(850)
New mortgage advances	2,943	—
Repayment of Unsecured loan stock	—	(16)
Net cash inflow/(outflow) from financing (note 20(iii))	1,520	(2,074)
Decrease in cash in the year (note 20(iii))	(22,466)	(6,536)

The notes on pages 25 to 38 form part of these Financial Statements.

consolidated statement of total recognised gains and losses

for the year ended 31 March 2001

	2001 £000	2000 £000
Profit for the financial year	21,547	22,108
Unrealised surplus on revaluation of investment properties	17,825	16,722
Revaluation of property on acquisition of minority interest	—	456
Tax on realisation of revalued properties	(6)	(95)
Translation differences on foreign currency net investments	2,451	93
Total net recognised gains relating to the year	41,817	39,284

note of consolidated historical cost profits and losses

for the year ended 31 March 2001

	2001 £000	2000 £000
Reported profit on ordinary activities before taxation	29,765	31,189
Realisation of investment property revaluation gains of previous years	59	454
Historical cost profit on ordinary activities before taxation	29,824	31,643
Historical cost profit for the year retained in the profit and loss account after tax, minority interests and dividends	13,615	14,971

reconciliation of movements in consolidated shareholders' funds

for the year ended 31 March 2001

	2001 £000	2000 £000
Profit for the financial year	21,547	22,108
Dividends: Interim	(3,096)	(3,096)
Final (proposed)	(4,889)	(4,400)
Retained profit for the year	13,562	14,612
Other net recognised gains and losses relating to the year	20,270	17,176
Net increase in shareholders' funds	33,832	31,788
Equity Shareholders' Funds brought forward	355,294	323,506
Equity Shareholders' Funds carried forward	389,126	355,294

The notes on pages 25 to 38 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).

(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.

(e) Acquisitions and Disposals of Properties

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

(f) Deferred Taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the Financial Statements, and is calculated on the liability method.

Provision is made for deferred taxation in respect of those timing differences which are expected to crystallise in the foreseeable future.

notes to the financial statements *(continued)*

(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.

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> £000	<i>Costs</i> £000	<i>2001 Profit</i> £000	<i>Property Income</i> £000	<i>Costs</i> £000	<i>2000 Profit</i> £000
Rents and service charges receivable (see (i) below)	75,009	(37,003)	38,006	64,534	(29,703)	34,831
Trading property sales	5,057	(435)	4,622	10,115	(1,029)	9,086
Investment property sales	3,266	(2,575)	691	4,894	(3,776)	1,118
Other income	1,679	—	1,679	177	—	177
	85,011	(40,013)	44,998	79,720	(34,508)	45,212

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

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

	<i>UK</i> £000	<i>USA</i> £000	<i>2001 Total</i> £000	<i>UK</i> £000	<i>USA</i> £000	<i>2000 Total</i> £000
Property income	72,612	12,399	85,011	69,174	10,546	79,720
Profit before financing charges	34,193	5,163	39,356	34,954	4,745	39,699
Financing charges	(8,770)	(821)	(9,591)	(7,008)	(512)	(8,510)
Profit on ordinary activities before taxation	25,423	4,342	29,765	26,956	4,233	31,189
Net assets	355,157	34,063	389,220	328,113	27,281	355,394

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

	<i>2001</i> £000	<i>2000</i> £000
Wages and salaries	998	952
Social security costs	77	74
	1,075	1,026

These figures relate only to portering staff of whom an average number of 82 (2000 – 88) were employed during the year.

3. Net Interest Payable and Other Similar Items

	<i>2001</i> £000	<i>2000</i> £000
Interest payable and other similar charges	12,722	11,645
Interest receivable	(3,131)	(3,040)
Foreign exchange movements	—	(95)
Interest receivable and other similar items	(3,131)	(3,135)
Net interest payable and other similar items	9,591	8,510

notes to the financial statements *(continued)*

4. Profit on Ordinary Activities before Taxation

	2001 £000	2000 £000
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration - Audit services (including irrecoverable VAT)	370	338
	2001 £000	2000 £000
Staff costs (including directors' remuneration):		
Salaries	3,696	3,447
Social Security costs	283	286
Pension contributions	273	192
	4,252	3,925

These figures include the Group's proportion of Administrative Staff costs which are equivalent to an average of 144 employees (2000 - 139 employees). Details of the Directors' remuneration are contained in the Directors' Report on page 10.

5. Tax on Profit on Ordinary Activities

	2001 £000	2000 £000
Taxation based on the profit for the year of the Company and its subsidiaries		
UK corporation tax at 30% (2000 - 30%)	7,232	8,218
Overseas taxation	548	58
	7,780	8,276
Prior years' charges	9	224
	7,789	8,500

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

6. Profit on Ordinary Activities After Taxation

Profit after taxation of £18,832,000 arises in the holding company, £12,100,000 being dividends paid by subsidiary companies (2000 - £26,752,000; Dividends - £20,800,000).

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 £21,547,000 (2000 – £22,108,000) and the weighted average number of shares in issue during the year of 16,295,357 (2000 – 16,295,357).

Equity Shareholders' Funds per Share are calculated on Equity Shareholders' Funds of £389,126,000 (2000 – £355,294,000) and the number of shares in issue at the year end of 16,295,357 (2000 – 16,295,357).

8. Tangible Assets – Investment Properties

	Freehold £000	Long Leasehold £000	Short Leasehold £000	Total 2001 £000
At Valuation 1 April 2000	348,732	76,285	13,839	438,856
Additions	351	10,990	—	11,341
Disposals	(2,494)	—	(47)	(2,541)
Transfer	2,300	(2,480)	180	—
Revaluation	16,150	1,441	234	17,825
At Valuation 31 March 2001	365,039	86,236	14,206	465,481

The historical cost of investment properties is £281,438,000.

A professional valuation of all the Group's United Kingdom investment properties was carried out at 31 March 2001 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 39.)

That report does not include a property which has been identified as being held for disposal. This property is included in Freehold Properties above at its valuation at 31 March 2001 by Cardales, Chartered Surveyors of £1,000,000 which the Directors believe to be not less than its net realisable value.

9. Investments held as Fixed Assets

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

	UK £000	USA £000	2001 Total £000	UK £000	USA £000	2000 Total £000
10. Properties held for Trading						
At the lower of cost and net realisable value	21,807	58,568	80,375	22,192	33,662	55,854

£7,408,000 (2000 – £6,683,000) of the properties held for trading in the USA are held through shares in co-operative corporations.

notes to the financial statements (continued)

11. Debtors	<i>The Group</i>		<i>The Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£000	£000	£000	£000
Rents and service charges	15,532	9,713	—	—
Other debtors and prepayments	10,279	7,473	1	4
Due within one year	25,811	17,186	1	4
Mortgages granted repayable after one year	2,726	2,427	—	—
Due after one year	2,726	2,427	—	—
	28,537	19,613	1	4

12. Investments held as current assets

Investments held as current assets include listed securities of £132,000 (2000 – £106,000) held at the lower of cost and net realisable value. The market value of these securities at 31 March 2001 was £206,000 (2000 – £253,000).

13. Creditors: amounts falling due within one year	<i>The Group</i>		<i>The Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£000	£000	£000	£000
Bank loans and overdrafts (see note below)	61,957	57,888	57,076	51,009
Rents and service charges charged in advance	11,551	11,437	—	—
Other creditors and accruals	10,406	11,279	975	474
Taxation	6,692	6,435	1,902	589
Dividends payable	4,889	4,400	4,889	4,400
	95,495	91,439	64,842	56,472

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		<i>The Group</i>		<i>The Company</i>	
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
		£000	£000	£000	£000
Unsecured loan stocks		1,792	1,792	—	—
Mortgage advances		24,340	21,127	—	—
Amounts due to subsidiary undertakings		—	—	—	236
Secured bank loans		90,022	94,815	41,750	42,750
		116,154	117,734	41,750	42,986
Analysis of creditors falling due after more than one year					
	<i>Interest rate</i>	<i>The Group</i>		<i>The Company</i>	
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
		£000	£000	£000	£000
Amounts repayable after 1 April 2006					
Unsecured loan stock 2007	8.25%	1,792	1,792	—	—
Mortgages	6.99%–8.4%	16,822	13,061	—	—
Amounts due to subsidiary undertakings		—	—	—	236
Secured bank loans	5.58%–8.55%	76,789	79,084	37,750	38,750
		95,403	93,937	37,750	38,986
Amounts repayable between 1 April 2003 and 31 March 2006					
Mortgages	8.98%–9.0%	6,741	8,066	—	—
Secured bank loans	6.35%–8.55%	7,961	10,937	3,000	3,000
		14,702	19,003	3,000	3,000
Amounts repayable between 1 April 2002 and 31 March 2003					
Mortgages	8.98%	777	—	—	—
Secured bank loans	6.35%–8.55%	5,272	4,794	1,000	1,000
		6,049	4,794	1,000	1,000
Total amount of Long Term Loans		116,154	117,734	41,750	42,986
Amount of Long Term Loans secured on certain of the Group's properties		114,362	115,942	41,750	42,750

15. Financial instruments

The Group's strategy in respect of the use of financial instruments to manage risk is detailed on page 16.

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

notes to the financial statements *(continued)***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:

	2001 £000	2000 £000
Cash – Sterling denominated	23,432	38,478
Cash – US dollar denominated	3,456	12,122
Total	26,888	50,600

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 £2,726,000 which are denominated in US dollars. £1,283,000 of these mortgages are at variable rates with £1,443,000 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 10.75% (2000 – 10.4%) and the weighted average period for which the receivable is fixed is 8.2 years (2000 – 9.2 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:

	2001 £000	2000 £000
Within one year or less or on demand	61,957	57,888
Between one and two years	6,049	4,794
Between two and five years	14,702	19,003
After five years	95,403	93,937
	178,111	175,622

The Group has undrawn borrowing facilities of £11,100,000 which expire within one year and £5,000,000 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:

	2001 £000	2000 £000
Floating rate liabilities – Sterling denominated	82,837	87,284
Floating rate liabilities – US dollar denominated	15,826	9,008
Fixed rate liabilities – Sterling denominated	55,108	58,203
Fixed rate liabilities – US dollar denominated	24,340	21,127
	178,111	175,622

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 8.3% (2000 – 8.2%) and the weighted average period for which the borrowing is fixed at 31 March 2001 was 11 years (2000 – 11 years).

All of the £55,108,000 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:

	<i>Book value</i>	<i>Notional</i>	<i>2001</i>		<i>2000</i>
	<i>£000</i>	<i>Principal</i>	<i>Fair value</i>	<i>Fair value</i>	<i>Fair value</i>
	<i>£000</i>	<i>£000</i>	<i>adjustment</i>	<i>£000</i>	<i>adjustment</i>
			<i>£000</i>		<i>£000</i>
Financial instruments held or issued to finance the Group's operations					
<i>Assets:</i>					
Investments held as current assets	132	—	74	206	147
Mortgages receivable	1,443	—	694	2,137	417
<i>Liabilities:</i>					
Floating rate debt	(98,663)	—	—	(98,663)	—
Fixed rate debt	(79,448)	—	(8,123)	(87,571)	(3,229)
Interest rate swaps	—	(18,750)	(116)	(116)	10
Fair value adjustment			(7,471)		(2,655)

The fair values were calculated as at 31 March 2001 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 12 July 2001 (the last practical date before the printing of these Financial Statements) which due to movements in interest rates since 31 March 2001 has resulted in a current fair value adjustment of £6.3m in place of the March figure of £7.5m.

Currency profile

The Group had US dollar denominated bank loans and mortgages at 31 March 2001 of £40,166,000 (2000 – £30,135,000).

The Group has US dollar cash deposits at 31 March 2001 of £3,456,000 (2000 – £12,122,000).

notes to the financial statements *(continued)*

	<i>The Group</i> £000
16. Provisions for liabilities and charges	
Deferred taxation:	
At 1 April 2000	1,102
Foreign exchange movement	74
At 31 March 2001	1,176

Apart from the above items there was at 31 March 2001 a potential liability for deferred taxation in respect of Industrial Building Allowances of £1,188,000 (2000 – £1,188,000). No provision has been made in these Financial Statements in respect of this liability as it is not expected to crystallise in the foreseeable future.

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 £21.3m (2000 – £18.9m) and for which no provision has been made in these Financial Statements, as the Directors are of the opinion that the likelihood of any material liability arising is remote.

	<i>Number</i>	<i>2001</i> £000	<i>2000</i> £000
17. Share Capital			
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	<i>The Group</i> £000	£000	<i>The Company</i> £000	£000
Share Premium Account:				
At 1 April 2000 and 31 March 2001		555		555
Revaluation Reserve:				
At 1 April 2000	166,000		181,700	
Transfer to profit and loss account of revaluation surplus on investment properties now realised	(59)		—	
Fixed asset revaluation	17,825		21,962	
At 31 March 2001		183,766		203,662
Other Non-Distributable Reserves:				
At 1 April 2000	4,683		—	
Translation differences on foreign currency net investments	2,451		1,023	
At 31 March 2001		7,134		1,023
Profit and Loss Account:				
At 1 April 2000	170,982		168,965	
Revaluation reserve realised on disposal	59		—	
Tax on revaluation reserve realised	(6)		—	
Retained profit for the year	13,562		10,847	
At 31 March 2001		193,597		179,812

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	<i>Shares at valuation</i> £000	<i>Loans</i> £000	<i>Total</i> £000
The Company			
At 1 April 2000	199,332	252,251	451,583
Additions	—	18,664	18,664
Revaluation	21,962	—	21,962
Effect of foreign exchange differences	1,995	—	1,995
At 31 March 2001	223,289	270,915	494,204

The historical cost of shares in subsidiary undertakings is £17,876,000 (2000 – £17,876,000).

Shares in subsidiary undertakings have been valued by the Directors at 31 March 2001 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 (2000 – £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 £+0,000 (2000 – £+0,000) and their aggregate liabilities at 31 March 2001 were £54,000 (2000 – £54,000). The inclusion of these undertakings would not materially affect the Consolidated Financial Statements.

notes to the financial statements *(continued)*

20. Cash Flow Statement	2001 £000	2000 £000
(i) Reconciliation of operating profit to net cash inflow from operating activities.		
Operating profit	38,665	38,581
(Increase)/Decrease in properties held for trading	(20,346)	1,819
Increase in debtors	(8,159)	(1,476)
(Decrease)/Increase in creditors	(399)	1,664
(Increase)/Decrease in investments held as current assets	(21)	1
Amounts written off fixed assets	—	153
Net cash inflow from operating activities	9,740	40,742

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

	2001 £000	2000 £000
Decrease in cash	(22,466)	(6,536)
Loan facilities	(6,158)	(3,000)
New mortgage advances	(2,943)	—
Repayment of financing	7,581	5,074
Change in net debt resulting from cash flows	(23,986)	(4,462)
Exchange movement	(2,215)	(256)
Change in net debt	(26,201)	(4,718)
Opening net debt	(125,022)	(120,304)
Closing net debt	(151,223)	(125,022)

(iii) Analysis of changes in net debt

	1 April 2000 £000	Cash flow £000	Exchange movements £000	31 March 2001 £000
Cash at bank and in hand	50,600	(25,163)	1,451	26,888
Overdrafts	(3,784)	2,697	—	(1,087)
Secured loans	46,816	(22,466)	1,451	25,801
Unsecured loan stock	(148,919)	(887)	(1,086)	(150,892)
Unsecured loan stock	(1,792)	—	—	(1,792)
Mortgage advances	(21,127)	(633)	(2,580)	(24,340)
	(125,022)	(23,986)	(2,215)	(151,223)

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 £3,055,000 (2000 – £3,124,000).

At 31 March 2001 £801,000 was due from Highdorn Co. Limited (2000 – due to Highdorn £1,804,000) and £539,000 was due to Freshwater Property Management Limited (2000 – £634,000).

The Directors interests in the Company and the principal shareholders are described on pages 10 and 11.

22. Contingent liabilities

The Company has guaranteed bank and mortgage indebtedness and unsecured loan stock of certain subsidiary undertakings which at 31 March 2001 amounted to £52.1m (2000 – £57.8m).

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.

notes to the financial statements *(continued)*

23. Principal Subsidiary Undertakings

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

Incorporated in Great Britain and registered in England and Wales

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	Linebridge 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 (FHNY 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, the investment properties owned by its subsidiaries in the United Kingdom as at 31 March 2001. 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, outgoings 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 investment property interests as at 31 March 2001 is £464,481,000.

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 2001

five-year record

	1997	1998	1999	2000	2001
	£000	£000	£000	£000	£000
Net Rental Income	28,061	30,121	33,229	34,831	38,006
Surplus on Sale of Trading Properties	7,637	6,636	6,099	9,086	4,622
Other Income	80	290	256	177	1,679
Gross profit	35,778	37,047	39,584	44,094	44,307
Group Profit before Taxation	24,492	27,101	28,554	31,189	29,765
Taxation	7,741	7,560	7,744	8,500	7,789
Minority Interests	25	131	304	581	429
Available Surplus	16,726	19,410	20,506	22,108	21,547
Earnings: p. per Share	102.6	119.1	125.8	135.7	132.2
Dividends: p. per Share	38.0	42.0	44.0	46.0	49.0
Gross Assets	411,906	457,836	535,325	565,669	602,045
Equity Shareholders' Funds	272,435	291,245	323,506	355,294	389,126
Equity Shareholders' Funds: £ per Share (based on balance sheet figures)	16.72	17.87	19.85	21.80	23.88
Represented by:					
Share Capital	4,074	4,074	4,074	4,074	4,074
Reserves and Retained Profit	268,361	287,171	319,432	351,220	385,052
Equity Shareholders' Funds	272,435	291,245	323,506	355,294	389,126