

Directors' Report

The directors' present their report and financial statements for the year ended 31 March 2003.

Principal activities

The principal activity of the Company is that of a holding company and the principal activities of the subsidiaries are property investment, dealing and development. A full review of these activities and the Group's future prospects are given on pages 4 to 21.

Trading results

The results for the year are set out on page 22. The profit on ordinary activities before taxation amounts to £25,227,000 (2002: £22,573,000).

Share capital

At 31 March 2003 there were 29,913,476 ordinary 5p shares in issue.

Dividends

A final dividend of 9.00p (2002: 8.25p) per share is recommended for approval at the Annual General Meeting on 23 July 2003. The total ordinary dividend of 15.00p (2002: 113.75p, including 100.00p special dividend) per share amounts to £4,275,000 (2002: £32,328,000).

Donations

Donations to charities amounted to £13,936 (2002: £3,685). No contributions (2002: £10,000 to Conservative Party) were made to any political party.

Creditor payment policy

The Company's policy is to settle all agreed liabilities within the terms established with suppliers. At 31 March 2003 there were 20 days' (2002: 26 days') purchases outstanding in respect of the Company's creditors.

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

Substantial shareholdings

At 2 June 2003 the shareholders listed in Table A on page 46 had notified the Company of a disclosable interest of 3% or more in the nominal value of the ordinary share capital of the Company.

Directors' remuneration

Details of directors' remuneration, share options, service contracts and pension contributions are noted in the Directors' Remuneration Report on pages 52 to 56.

Directors and their interests

The directors who were in office during the year and their interests, all of which were beneficial, in the ordinary shares of the Company are listed in Table B on page 46.

Shares purchased on behalf of directors' under the terms of the Share Incentive Plan are disclosed in the Directors' Remuneration Report on pages 52 to 56. There have been no changes in the directors' interests, other than as shown in the Directors' Remuneration Report, in the period from 31 March 2003 to 12 June 2003.

Re-election of directors

Messrs M.E. Slade, N.G. McNair Scott and A.R. Beevor are due to retire by rotation and offer themselves for re-election. Mr J.P. Southwell, having reached the age of 70, also offers himself for re-election.

Going concern

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

Corporate governance

The Company's application of the principles of corporate governance is noted in the Corporate Governance Report on pages 47 to 49.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 disclosed and explained in the financial statements.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual general meeting

The Annual General Meeting of the Company will be held on 23 July 2003 at 11.30am at The Westbury, Conduit Street at New Bond Street, London W1A 4UH. The notice of meeting is set out on pages 58 to 59 below. There are three resolutions concerning special business. The first gives the Board the authority, for a further five years, to allot 9,971,158 shares (one third of the existing issued share capital as at the date hereof). The second gives the Board the power for a further five years to issue shares pursuant to a rights issue and a modest number (approximately five per cent of the existing issued share capital as at the date hereof) for cash other than to existing shareholders. The third extends, for a further year, the authority given at the Annual General Meeting last year for the Company to buy in, for cancellation, 14.99 per cent of its ordinary share capital. There have been no instances of the Company purchasing its own shares since the last Annual General Meeting.

By Order of the Board

T.J. Murphy

Secretary

12 June 2003

Table A – Substantial shareholdings

	No of Ordinary shares	%
Michael Slade	3,016,408	10.1
Schroder Investment Management	1,783,563	6.0
Threadneedle Asset Management	1,747,200	5.8
Fidelity Investments	1,621,729	5.4
Helical Bar Share Ownership Plan Trust	1,361,939	4.6
M & G Investment Management	1,070,956	3.6
Hermes	1,033,687	3.5
Legal & General	1,021,296	3.4
T R Property Investment Trust	972,000	3.2
ISIS Asset Management	965,622	3.2

Table B – Directors interests

	Ordinary 5p shares	
	31.03.03	31.03.02
John Southwell	34,750	34,750
Michael Slade	3,016,408	3,014,938
Nigel McNair Scott	628,087	626,617
Giles Weaver	18,000	18,000
Antony Beevor	1,477	1,477
Gerald Kaye	310,673	309,215
Michael Brown	188,021	186,551
Total directors' interests	4,197,416	4,191,548
Percentage of issued share capital	14.0	14.0