



the score

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Finance Review

The results for the year reflect the continuing success of the Group's strategy. The format of the result, as we advised last year, has changed from previous years in order to ensure that shareholders and all other users of these accounts have a clear picture of the Group's results.

This has been achieved against a background of continually changing regulatory requirements. However, we are always pleased to answer any financial questions on these accounts.

RESULTS

Overall profitability before tax has continued to improve with profits in the year of £16.6m against £15.2m last year, an increase of 9.3%. This was again driven by a substantial increase in the Group's core maintainable income (recurring profits) which rose £3.1m (28%) to £14.1m. Such an increase has arisen as a direct result of the Group's strategy implemented three years ago of investing in properties with asset management opportunities supported by a secure income stream, a period over which recurring profitability has almost doubled. Additionally this year saw the establishment of our first alliance, the £223m Agora shopping centre joint venture with Bank of Scotland in early March with the first, albeit small, contribution from this business activity. This contribution is treated as recurring profit arising directly from the active management of the new joint venture by the Group.

The change in the overall portfolio split between directly held property and the Group's share of joint ventures and associate is shown in the following table:

£000	Share of			Total
	Directly held	Joint Ventures	Associate	
Investment property	333,821	111,530	20,143	465,494
Trading property	46,044	2,336	5,191	53,571
At 31 March 2003	379,865	113,866	25,334	519,065
Investment property	403,186	408	18,483	422,077
Trading property	53,374	5,162	4,840	63,376
At 31 March 2002	456,560	5,570	23,323	485,453
Change in year	(76,695)	108,296	2,011	33,612

Rental income at £37m was some £9.6m up over the previous year, and which after additional property management costs and interest, accounted for the £3.1m improvement in recurring profitability. Of this improvement approximately £2.2m arose through the positive yield gap of buying properties at a net yield of around 6.9% and financing them at 5.2% with the balance arising from a reduction in voids from 5% to 3%, rent reviews and other asset management initiatives.

As last year, the continued development of the Group has resulted in further changes to the property portfolio with the disposal of the Group's shopping centres into the Agora joint venture. As a result of the changes, the Group's rent roll has reduced to £31m although there is a further £16m rent roll in the Agora joint venture bringing the total under management to £47m compared to £37m last year. The Group rent roll of £31m is secured on leases with an

average term in excess of 12 years with £15m of rents being with low risk covenants, £7m with medium risk and £9m with higher risk. Additionally, with the exception of Government Agencies which represent 10.7% of the rent roll, only one tenant accounts for 5% of the rent roll and the Group's exposure in terms of any particular geographic location and business type remains low.

In the Agora Fund the average lease length is 9 years with 44% of the rent roll coming from low risk covenants. There are 325 tenancies and 248 tenants of which the largest is Debenhams with three tenancies totalling 9.7% of the Agora rent roll, followed by Government Agencies which account for a further 4%. No other tenant accounts for more than 3% of the Agora rent roll.

Because of the way profits are displayed in the Profit and Loss Account, the profits arising from Joint Ventures and the Associate appear more significant than they are when viewed in the context of the supporting notes. In addition this year the Joint Ventures have changed radically with the establishment of joint ventures with Bank of Scotland to purchase shopping centres in Bolton for £64.5m and Middleton for £39.5m in August 2002 and September 2002 respectively which together with the purchase of Preston in March 2003 and the disposal of the Group's shopping centres at the same time created a joint venture with £223m of investment property (Group share £111.5m). The other joint ventures, which represented only £14m (Group share £7m) of gross assets at last year end, have been reduced to £7.3m (Group share £3.65m) and disposal of these remaining assets is planned to complete in 2003/04.

The breakdown between recurring profits and non-recurring profits is as follows:

	£m	£m
Recurring profit		14.1
Non-recurring profit		
Non-recurring revenue items		0.2
Trading profit		0.5
Property trading	8.1	
Cost of sales	(7.3)	
Writing down of trading stock	(0.3)	
Capital profits		1.6
Associate		0.1
Operating profit	1.4	
Interest	(1.0)	
Dividend received	(0.3)	
Joint ventures		0.1
Operating profit	2.4	
Interest	(2.3)	
Profit on ordinary activities		<u>16.6</u>

Finance Review Continued

The contribution from the joint ventures was:

	£m
Operating profit	2.39
Net interest payable	(2.26)
Taxation	(0.04)
	<u>0.09</u>

of which the three weeks contribution from the Agora joint venture was £0.02m.

The contribution of £0.09m represents 0.17p (0.7%) of the adjusted revenue earnings per share for the year.

The associate, Merivale Moore plc, where the Group has a 25.9% shareholding has continued to be treated as such despite an announcement by the company that a bidder controlled by Merivale Moore's chairman may make a bid for the company. Had it been treated as an investment the after tax profit that would have been consolidated into the Group's results would have been the dividends received of £0.35m compared to the £0.47m actually consolidated. This contribution was as follows:

	£m
Operating profit	1.42
Capital profit	0.37
Net interest payable	(1.00)
Taxation	(0.32)
	<u>0.47</u>

This represents 0.92p (4%) of the Group's adjusted revenue earnings per share and the investment is also equivalent to 4% of the Group's net assets.

Capital profits were £1.5m. Included within this amount is £0.05m that arose from the disposal of the Group's shopping centres into the Agora joint venture and is net of all the costs that arose within the Group, in particular in relation to loan break costs and security transfers that, if they had arisen in the ordinary course of business would have been reported in other areas of the Profit & Loss account. In addition to this amount a further £1.19m has been taken to reserves which reflect the element of the profit arising from the set up of the Agora joint venture that is not deemed to be a disposal being to a 50:50 joint venture.

Net interest costs were £18.35m of which £15.10m was in respect of the Group the balance arising on Joint Ventures and the Associate. The level of interest, which is some £3.62m higher than in the previous year, reflects the impact of the higher levels of debt which were maintained by the Group to fund the Group's stated strategy and were not substantially reduced until March of this year.

The tax charge before the adjustment for deferred tax required by FRS 19 was £3.24m of which £2.87m was in respect of the Group giving an effective rate of tax of 19%. Of this the rate applicable to revenue profits was 21% with no tax charged against capital profits due to the availability of capital losses within the Group. When the FRS 19 adjustment is applied this year the tax charge falls by £0.5m (last year it rose by £1.2m!) giving a tax charge of £2.73m of which £2.36m was in respect of the Group at an effective rate of 16%. Whilst we have to comply with FRS 19 as explained in this review last year, the FRS 19 liabilities rarely crystallise on transactions. Hence this year when assets have been disposed of without giving up the benefit of the tax allowances the charge to tax falls dramatically as the FRS 19 provision is no longer required. For all purposes except the preparation of the accounts, we ignore this FRS as the pre FRS 19 position represents more closely the actual tax payable.

	£m
Profit on ordinary activities	16.6
Tax @ 30%	5.0
Use of losses	(0.5)
Use of allowances	
(capital & industrial building)	(1.5)
Other	0.2
Pre FRS 19 deferred tax provision	3.2
FRS 19 deferred tax net release	(0.5)
Total tax charge in the accounts	<u>2.7</u>

Total adjusted earnings increased by 1.42p to 26.40p of which 23.32p (21.42p in 2002) is attributable to revenue profits and 3.08p (3.56p in 2002) to capital profits. The increase in revenue earnings of 9% is the result of a 21% increase in recurring revenue profits to 22.31p

(18.38p in 2002) partially offset by a substantial reduction in profits from joint ventures and the associate and a small net reduction in trading profits. As a result the total dividend of 16p a share is covered 1.4 times by recurring earnings compared to 1.2 times last year.

RECONSTRUCTION

The requirements of ensuring returns are maximised for shareholders in a business environment of ever increasing regulatory complexity means that ever more complicated legal structures are required. However, an ongoing programme is maintained to ensure wherever possible that companies no longer required are liquidated to minimise the on going regulatory cost.

CASH FLOW

Disposals have generated £95m of which £65m arose in March 2003 on the launch of the Agora joint venture. £22m has been invested by the Group in this venture during the year.

BALANCE SHEET

The balance sheet at the year end shows total shareholders funds of £223.5m (excluding an adjustment for deferred tax required by FRS 19 of £4.3m) a £7.8m increase on last year, after a £8.1m dividend up from £7.5m last year, due to the improved profits and revaluation surpluses at the interim stage and a further uplift at the year end. The increase in shareholders funds would however, have been higher but for the following:-

1. The investment in the Group's associate Merivale Moore has been written down by £0.8m more than would be required by a straight consolidation of Merivale Moore's published accounts as at 31 December 2002. This has arisen from a detailed review of the carrying value of this associate in the light of current market conditions for office property in Central London.

Finance Review Continued

2. The Group's quoted investments fell in value by £1.35m year on year of which £1.1m arose in the second half. Since the year end the value of these investments has increased by £0.6m as at 1 June.

In addition the disadvantaged area status announced in the Budget effects an estimated £65m of property owned by the group and a number of the properties in the Agora joint venture. Given the content of the announcement the full impact has not yet been assessed but will be reported on in the Group's next interim results.

In terms of the uplift in triple net asset value this rose to 413.8p from 403.5p after the payment of a 16p dividend. However, but for the volatility in interest rates which were a quarter point higher a week either side of the year end the uplift in the fair value adjustment would have been slightly lower.

The calculation of triple net asset value is as follows:

	£000	Pence per share
Shareholders' funds at 31 March 2003	219,171	430.2
Add back FRS 19 adjustment (note 19)	4,328	8.5
Adjusted shareholders' funds	223,499	438.7
Less potential deferred tax (note 19)	(1,409)	(2.8)
Adjustment for deferred tax eliminatable	934	1.8
Less fair value adjustment for debt, net of tax (note 20)	(12,202)	(23.9)
Triple net asset value	<u>210,822</u>	<u>413.8</u>

FINANCING

Opening gearing was 116% with net debt of £250m which by the year end had fallen to 86% with net debt falling to £193m as a result of disposals in the year of £104m including £67m into the Agora fund. However, this excludes our share of off balance sheet debt, all of which is non-recourse in joint ventures of £110m. Such non-recourse debt means that the Group's only exposure is in terms of its investment of £25m as the debt is totally ring fenced, by which it is meant that should the loan be called in by the lenders for what ever reason those lenders have no recourse to the Group's assets. In addition, of the Group's on balance sheet net debt of £193m, some £57.1m is non-recourse secured against £79m of assets. Thus recourse Group debt is only £135m, a gearing level of 61%.

RETURN ON CAPITAL

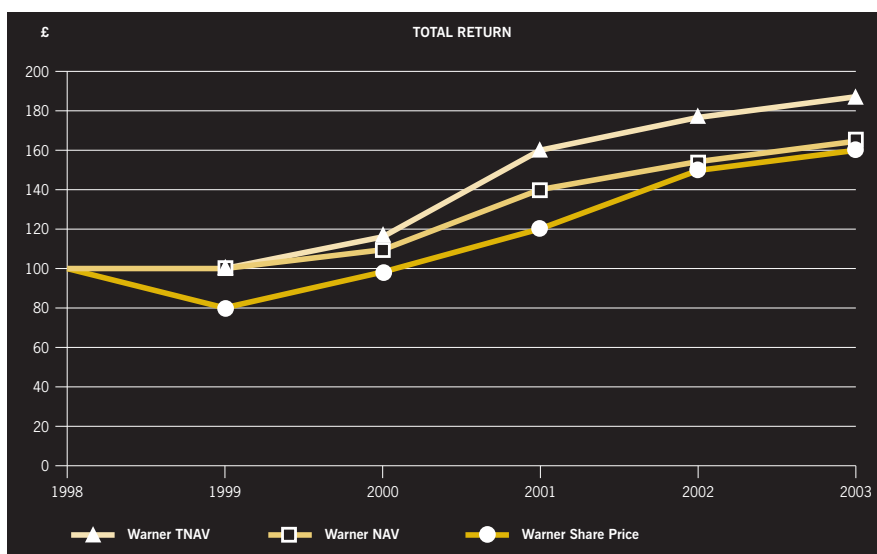
The Directors' Remuneration Report now includes a chart showing the total return based upon an increase/decrease in the Group's share price plus dividends reinvested. As a Group we measure ourselves on the increase in triple net asset value plus the reinvesting of dividends as we can directly control asset value whilst the share price can be influenced by other factors. However, as can be seen from the graph below the triple net asset value measure supports the share price total return measure over a five year period.

Using the Group's triple net measure produces an after tax total return this year of 6.6%, (2002: 8.8%).

ACCOUNTING POLICIES

The intention this year had been to incorporate a pro forma of the impact of the proposed International Accounting Standards that are due to be mandatory in 2005, to show the impact of what are quite radical changes. Unfortunately these proposed standards remain so fluid that we have been advised that to incorporate such a pro forma would be premature. As soon as the proposals are finalised we will use our best endeavours to ensure the shareholders are fully appraised of their impact and the extent that impact is real or just presentational.

Peter Collins
Finance Director



Board of Directors and Corporate Information

PRESIDENT

Sir Henry Warner Bt.

EXECUTIVE DIRECTORS

P C T Warner (Chairman)

Age 52, joined the Board in May 1979 and was appointed Chairman in March 1993. A barrister, a non-executive director of Merivale Moore plc and Stonemartin PLC and a director of several private companies. Chairman of the Nominations Committee.

P W Collins, MBA, BSc, FCA (Finance)

Age 54, joined the Board in May 1998 and was previously group finance director and secretary of Jourdan plc.

R Moore, FRICS (Property)

Age 57, joined the Company in July 2000 and the Board in April 2001 and was previously Head of Estates at NatWest Group Property.

NON-EXECUTIVE

W R Broderick, BSc, FBCS, CEng * ‡

Age 62, joined the Board in May 1991, working in information technology strategy with business interests in software development and publishing. Chairman of the Remuneration Committee.

G A Cooke, BSc, MRICS ‡

Age 54, joined the Board in July 1993, Chairman of ATIS Real Weatheralls Limited.

J A Fooks, JP, MA, FCA * ‡

Age 69, joined the Board in September 1996, a director of several private companies.

R H Warner, ACA *

Age 46, joined the Board in March 1994. From 1992 to 2002 finance director and company secretary of Aukett Group Plc. A director of several private companies. Chairman of the Audit Committee.

SECRETARY

V B Vaghela, ACCA

ASSOCIATE DIRECTORS

D L Edwards, ACA (Finance)

K R Meade, BSc, MRICS (Property)

M J Stevens, BSc, MRICS (Property)

V B Vaghela, ACCA (Finance)

* Member of the Audit Committee

All the Non-executive Directors are members of the Remuneration Committee

All the Directors are members of the Nominations Committee

‡ Independent Non-executive

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BANKERS

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1 Exchange Flags
Liverpool L2 3XN

SOLICITORS

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London EC1A 4JJ

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14 Old Square
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London WC2A 3UB

REGISTERED AUDITORS

PricewaterhouseCoopers LLP
Southwark Towers
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STOCKBROKERS

HSBC Bank PLC
8 Canada Square
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VALUERS

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London W1A 3BG

REGISTRARS AND TRANSFER OFFICE

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Directors' Report

The Directors submit herewith their Annual Report and the audited Accounts for the year ended 31 March 2003.

BUSINESS OF THE GROUP

The principal business of the Group is in the United Kingdom and is property investment, together with the management of properties.

The Annual Review, which includes the summary financial statements, should be read in conjunction with this report.

RESULTS FOR THE YEAR AND DIVIDENDS

The Group results are set out in the consolidated profit and loss account on page 20.

An interim dividend of 7.75p per share was paid on 28 February 2003 and it is proposed to pay a final dividend of 8.25p per share, making a total of 16p per share for the year ended 31 March 2003. If approved by the Annual General Meeting to be held on 23 July 2003, the proposed dividend will be paid on 29 August 2003.

PROPERTIES

Purchases and additions to investment properties during the year totalled £21.7m.

Investment Properties with book values at the date of sale of £94.8m were disposed of during the year.

A valuation of the Group's investment properties at the date of the balance sheet has been made which amounts to £333.8m and the Directors have incorporated this in the accounts as shown in note 12. The commercial investment properties were valued by Cushman & Wakefield Healey & Baker or, in the case of properties purchased within twelve months of the balance sheet date, by the Directors. Details of these valuations may be found in note 12. The resultant surplus has been transferred to revaluation reserve.

FIXED ASSET INVESTMENTS

The market value of the shares of listed investments, other than the associate, has been incorporated in the balance sheet as

shown in note 15(c) and the resultant deficit has been transferred to revaluation reserve.

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year totalled £16,700 (2002: £13,000). No contributions of a political nature were made.

DIRECTORS

The present Directors, all of whom have served throughout the year, together with their brief biographical details are as shown on page 5.

In accordance with the Articles of Association and the requirements of the Combined Code, Mr P C T Warner and Mr P W Collins retire by rotation and offer themselves for re-election. Mr P C T Warner does not have a service contract with the Company or any of its subsidiaries. Mr P W Collins has a service contract terminable by the Company by giving 12 months notice.

The interests of the Directors and their families in the shares of the Company at 31 March 2003 were as follows:

	Ordinary Shares			
	Beneficial		Non-Beneficial†	
	March 2003	March 2002	March 2003	March 2002
P C T Warner	884,829	883,005	9,570,680	9,570,680
R H Warner	1,090,000	1,090,000	5,794,535	5,794,535
J A Fooks	–	–	32,900	57,296
P W Collins	6,006	–	–	–

† The non-beneficial interests of Mr P C T Warner includes the non-beneficial interests of Mr R H Warner and both these interests are included within the notified interests of Sir Henry Warner Bt. shown below.

Directors' Report Continued

The interests of the Directors in the shares of the Company through the Company's share schemes at 31 March 2003 were as follows:

	Share Options		WEHLTIP		WEHPSS		AESOP	
	March 2003	March 2002	March 2003	March 2002	March 2003	March 2002	March 2003	March 2002
P C T Warner	131,730	65,899	8,204	15,023	2,866	4,690	2,270	462
P W Collins	97,938	47,779	8,382	15,300	2,962	4,825	2,365	462
R Moore*	102,640	47,779	–	–	–	–	2,365	462

A full analysis of the Directors' options to subscribe for Ordinary shares and their holdings under the Warner Estate Holdings Long Term Incentive Plan (WEHLTIP), Warner Estate Holdings Profit Sharing Scheme (WEHPSS) and the All-Employee Share Ownership Plan (AESOP) are given in the Directors' Remuneration Report on pages 11–15.

The interests of Directors in contracts with the Company or its subsidiaries are shown in note 29 to the financial statements.

No other changes in Directors' interests occurred between 31 March 2003 and 9 June 2003 except for shares purchased under the AESOP totalling approximately £1,500 in value.

CREDITOR PAYMENT POLICY

It is the Group's policy to pay creditors in accordance with their normal terms and conditions of trading or, where applicable, such other terms as are mutually agreed. The level of the Company's trade creditors at 31 March 2003 was not significant and in terms of the number of days, the ratio of such creditors to the aggregate of the amounts invoiced during the year was 29 (2002: 17).

SUBSTANTIAL INTERESTS

At 9 June 2003 the Company had been notified of the following interests in three per cent or more of the Ordinary share capital:

	No of Shares Held	% Held
Trefick Ltd	12,109,413	23.77
Sir Henry Warner Bt.	9,570,680	18.79
The AXA S.A. Group	3,057,500	6.00
Fooks Property Co. Ltd	2,454,120	4.82

SHARE CAPITAL AND ARTICLES OF ASSOCIATION

This section concerns information relevant to business to be conducted at the Annual General Meeting and is important. If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser. If you have sold all your shares in the Company, you should pass this Annual Report and the accompanying form of proxy to the person through whom the transaction was effected, for transmission to the purchaser or transferee.

10,998 Ordinary shares were issued through the exercise of share options during the year.

The Directors consider that purchases of Ordinary shares in the capital of the Company are in the Company's and shareholders' interests when the purchase of Ordinary shares at a price below the value of the net assets attributable to each share increases the value of the net assets attributable to the remaining Ordinary shares. A resolution is being proposed at the Annual General Meeting as Special Business which, if passed, will give authority for the purchase of up to 7,637,435 shares, representing 14.99 per cent of the Company's issued Ordinary share capital, at a price not exceeding five per cent, above the average of

the middle market quotations derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made, nor below 5p per share. The total number of options to subscribe for Ordinary shares that were outstanding as at 9 June 2003 was 622,030 representing 1.22 per cent of the issued share capital of the Company at that date (and 1.44 per cent if the authority to purchase shares is used in full).

The Directors' consider it desirable that authority be granted to the Directors to issue equity securities up to a maximum nominal amount equal to the existing authorised but unissued share capital of the Company and for the disapplication of pre-emption rights in respect of the issue for cash of equity securities of a nominal amount not exceeding five per cent. of the nominal value of the Company's present issued Ordinary share capital and two Resolutions dealing with this matter will be proposed at the Annual General Meeting as Special Business. Having regard to the equity securities presently in issue, if the Resolutions are passed, the Directors will have the authority to allot up to 9,049,803 Ordinary shares representing 17.76 per cent of the issued share capital and the power to make allotments for cash will be limited to 2,547,500 Ordinary shares representing 5 per cent of the issued share capital. These powers will expire on the earlier of the date of the next Annual General Meeting or 15 months after the passing of the resolutions. There is no present intention by the Directors to exercise any of these powers.

Directors' Report Continued

Recent legislation requires that the Directors' Remuneration Report be put to a shareholder vote at the Annual General Meeting. In accordance with the Articles of Association, the resolution proposing the Directors' Remuneration Report has been included under Special Business proposed at the Annual General Meeting. In future the Company wishes to include this as Ordinary Business, therefore, a Special Resolution is being proposed to amend the Articles of Association of the Company in order to include the Directors' Remuneration Report as Ordinary Business at an Annual General Meeting.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise share capital, borrowings, borrowing facilities (unutilised borrowing lines), listed investments and working capital (debtors, creditors, etc.) arising directly from the Group's operations. The purpose of these instruments is to fund the Group's business activities.

The Group also purchases financial instruments that are in practice a form of insurance, to manage the Group's exposure to fluctuations in the rate of interest. This risk, together with the need to ensure that the Group has adequate liquidity to enable it to conduct its business, are the main risks that arise from the Group's financial instruments. The Board reviews and agrees policies for managing these risks which are summarised below and have remained unchanged throughout this year. The Board also has a policy that it is not the business of the Group to trade in financial instruments and no such trading has occurred.

INTEREST RATE RISK

The Group borrows at both fixed and floating rates of interest and then uses relevant financial derivatives (swaps, caps, etc.) to ensure that the interest rate profile matches the Group's business profile. The policy is to ensure that the core investment portfolio is funded using a matching debt and interest profile. The proportion of the investment

portfolio that is targeted for replacement, together with trading properties, is funded via flexible short term facilities. At the year end, 100% of the Group's borrowings were at fixed rates after taking account of relevant financial instruments.

LIQUIDITY RISK

The Group's policy is to ensure that when investment property purchases, not specifically held for resale, during any one period have reached a level in excess of £50m the debt is converted into long term debt maturing at a date relevant to the period for which the Group expects to hold the asset. Such maturity periods have generally been for ten years or more. At the end of the year 39% (2002: 33%) of the Group's borrowings were due to mature in more than ten years, which represented 59% (31 March 2002: 59%) of term debt.

COMPANY WEBSITE

The Company has a website providing information on the Company including the latest set of accounts and press releases. This can be found by going to the Company website address which is www.warnerestate.co.uk.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

V B Vaghela

Secretary

9 June 2003

Statement of 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 the Group as at the end of the financial year 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 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 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for maintaining the integrity of the financial information, including the Annual Report on the Warner Estate Holdings PLC website. The uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is “a business strategy whereby companies decide voluntarily to contribute to a better society and a cleaner environment” (RICS April 2003) and Warner Estate subscribes to such a strategy.

This is our first review of CSR in the Annual Report and Accounts and it concentrates on four key areas: Health & Safety, Environmental Awareness, Employees and Community Concern. The Group is keen to take on a much clearer role, recognising CSR is regarded with increasing importance in the investment community. For Warner Estate it has to be simple, understandable and easy to implement.

HEALTH & SAFETY

It is critical to our standard of control for key personnel to take on direct management of issues which are regularly changing through legislation. Contractors employed on all our projects are required to demonstrate their commitment to our standards and to relevant legislation. All incidents are recorded, reported and, where appropriate, acted upon. During the year we are pleased to report only one such case was duly recorded. We require members of our team to attend seminars to ensure they are fully aware of current and impending legislative requirements. We are also piloting a defibrillator facility at our shopping centre at Ellesmere Port.

ENVIRONMENTAL AWARENESS

The Group complies with current legislation, the emphasis being on the three main areas of development, building design and estate management. Prior to commencing a

development or the purchase of a property a full environmental audit is undertaken. This is targeted at assessing whether any contamination exists and at minimising any potential pollution.

The building construction element is reviewed to ensure the design complies with appropriate building regulations. We endeavour to promote energy efficiency and at the same time use materials which will have a low environmental impact. Whilst on site we adopt the good practice of employing contractors from the Considerate Construction Scheme and by this method we protect workers, visitors and public from exposure to unacceptable risks.

Finally, as part of our policy of continual improvement of the portfolio, regular planned maintenance is undertaken. In this manner we can encourage our tenants to assess their own management of their work environment.

EMPLOYEES

It is our view this is both an internal and external issue. Internally we now employ some 45 staff at 103 Wigmore Street and a further 20 staff spread around our shopping centres. We actively encourage our team to develop their skills to enable them to match aspirations with professional qualifications. To those already qualified, broadening their management skills is a key objective for career progression. Organic growth within the company is seen as being a tangible major benefit.

Externally we are in a “people” industry where standards need to be set and maintained. We collect our own rent which means we

effectively have a direct relationship with all our tenants. With plans for development at all our shopping centres, good communications are essential to build up mutual respect and to ensure our corporate reputation is maintained and enhanced.

COMMUNITY CONCERN

Our progress into major shopping centres puts us very firmly at the heart of the community. For Warner Estate it is our traditional engagement with the significant locations in which we operate. Our Centre Managers are encouraged to foster dialogue with Rotary Clubs, Round Tables, charities, education and the business community. Where they exist we support the Association of Town Centre Management schemes which help to promote the town. We also sponsor charitable activities which have a close alliance to the industry or the community in which we work.

Directors' Remuneration Report

REMUNERATION COMMITTEE

The Remuneration Committee comprises all the Non-executive Directors and determines all aspects of remuneration for the Executive Directors. The Committee meets at least twice a year. The Executive Directors determine the fees for Non-executive Directors, subject to a limit approved by shareholders at a general meeting. No Director is involved in deciding his own remuneration. The Committee is directly accountable to shareholders and the approval of this report will be sought at the Annual General Meeting. As Chairman of the Committee, Mr W R Broderick will be available at the Annual General Meeting to answer questions about the remuneration of Executive Directors.

COMPLIANCE

The Committee is satisfied that the Company has complied throughout the year with the requirements of the Listing Rules of the Financial Services Authority.

POLICY

The Committee has given full consideration to the requirements of the Listing Rules and has determined as the objective of its policy the fair reward to the Executive Directors for their contribution in a form and amount to attract, retain and motivate high quality management. In implementing the policy, the Committee takes into account remuneration packages available within other companies, including property companies, comparable to the Company, as well as the Group's overall financial performance.

SERVICE CONTRACTS

It is intended that no service contract be granted for periods terminable by the Company or its subsidiaries on more than 12 months' notice. Apart from Mr P W Collins and Mr R Moore whose service contracts are terminable by the Company on 12 months' notice and by each Director on six months' notice, no other Director has a service contract.

BONUS SCHEME

The Group operates a bonus scheme for all employees, including the Executive Directors, which is not pensionable. The criteria for the scheme are the level of profit achieved from certain aspects of the Group's business activities against targets, together with an assessment of each individual's performance during the period. Bonuses payable to the Executive Directors in respect of the year under review are approved by the Remuneration Committee and are shown in the table of Directors' Emoluments.

Directors' Remuneration Report Continued

LONG TERM INCENTIVES

The Committee is responsible for supervising the Company's executive share incentive arrangements. The Company operates the Warner Estate Holdings 1995 Share Option Scheme ("the Share Option Scheme") and the Warner Estate Holdings Long Term Incentive Plan ("the WEHLTIP"). Shareholders approved amendments to the Share Option Scheme at an Extraordinary General Meeting on 25 July 2001 and since that approval, no allocations have been made under the WEHLTIP.

Under the Share Option Scheme, the value of shares subject to options granted to an individual is subject to a maximum of 1 times basic salary per annum, which may be exceeded in exceptional circumstances. Options become exercisable after three years subject to a performance target and at an exercise price which is fixed at the market value of shares at the time of grant.

The performance conditions under the Share Option Scheme are:

- (i) 100% of the award becomes exercisable if the increase in Triple Net Asset Value (TNAV) (plus dividends) per share equals Investment Property Databank All-Fund Benchmark (IPD) plus 9% over three years.
- (ii) 50% of the award becomes exercisable if the increase in TNAV (plus dividends) per share equals IPD plus 6% over three years.

For performance between these points, the proportion of the award which becomes exercisable is calculated on a straightline basis. If the performance condition is not satisfied in full after three years, it shall be retested each year up to five years from the date of grant. In such circumstances, the targets of IPD plus 6% and IPD plus 9% will accordingly be increased by 2% and 3% respectively for each year beyond the third year.

The Share Option Scheme provides for the grant of tax beneficial Inland Revenue approved options as well as unapproved options. During the year options were granted over 331,702 shares in accordance with the recommendations of the Committee.

The WEHLTIP is administered by the Warner Estate Holdings Employee Share Ownership Plan Trust and provides for selected participants who forego up to 50% of their annual bonus to receive an allocation of Ordinary shares in the Company which are retained for three years and may be matched by up to twice that number conditional upon the achievement of a sliding scale of performance targets over the same period. These targets are:

- (i) 100% of the allocation rests with the participants if the increase in Earnings per share (EPS) equals the Retail Price Index (RPI) plus 22.5% and the increase in Net Asset Value (NAV) equals the IPD Monthly Property Index (IPD) for capital growth plus 15.75%, both over a three year period.
- (ii) 50% of the allocation rests if the increase in EPS equals RPI plus 6.12% and NAV exceeds the IPD, both over a three year period.

The market value of shares (including matching shares) which were allocated to any person in any financial year did not exceed 60% of salary. No allocations were made during the year.

The Committee has kept the incentive arrangements for executives under review and it is intended in the future that incentive arrangements will be based on options granted under the Share Option Scheme and not under the WEHLTIP.

OTHER SCHEMES

An Inland Revenue approved All-Employee Share Ownership Plan ("the AESOP") was approved by the shareholders at an Extraordinary General Meeting on 25 July 2001. Under the AESOP an employee can buy Partnership shares from pre-tax monthly salary up to an initial maximum of £125 per month (or 10% of their total salary if less) and the Company awards the employee one free Matching share for each Partnership share. The Company can award up to £3,000 worth of Free Shares a year to an employee and dividends on any Free, Partnership and Matching shares can be used by an employee to purchase Dividend shares. Capita IRG Trustees Limited acts as Trustee and holds the shares purchased/awarded for a minimum of five years for Matching and Free shares and three years for Dividend shares.

In respect of the 2003 financial year, an appropriation of 10% of salary has been agreed at a cost of £97,000 to award Free shares to employees under the AESOP.

The Company previously operated the Warner Estate Holdings Profit Sharing Scheme ("the WEHPSS") in which all employees were eligible to participate. A profit share of up to 10% of base salaries was awarded and appropriated from profits each year, at the sole discretion of the Committee. A UK subsidiary, Warner Estate Trustees Limited, acts as Trustee and used the funds to purchase Ordinary shares in the Company. The Ordinary shares must be held in trust for at least two years and, after three years, may vest in the employee free of income tax. Following legislative changes and the introduction of the AESOP, no awards have been made under the WEHPSS since 2 July 2001 and none will be made in the future.

Directors' Remuneration Report Continued

DIRECTORS' INTERESTS IN SHARE SCHEMES

Directors with options to subscribe for Ordinary 5p shares, details of which are given in note 21 on page 41, were as follows:

	Date of grant	1 April 2002	During the year			31 March 2003	Exercise price	Date from which exercisable	Expiry date
			Options granted	Options exercised	Options lapsed				
P C T Warner	16.08.2001	65,899	–	–	–	65,899	303.5p	16.08.2004	15.08.2011
	17.07.2002	–	65,831	–	–	65,831	319.0p	17.07.2005	16.07.2012
		65,899	65,831	–	–	131,730			
P W Collins	16.08.2001	47,779	–	–	–	47,779	303.5p	16.08.2004	15.08.2011
	17.07.2002	–	50,159	–	–	50,159	319.0p	17.07.2005	16.07.2012
		47,779	50,159	–	–	97,938			
R Moore	16.08.2001	47,779	–	–	–	47,779	303.5p	16.08.2004	15.08.2011
	17.07.2002	–	54,861	–	–	54,861	319.0p	17.07.2005	16.07.2012
		47,779	54,861	–	–	102,640			

The middle market price of the shares at 31 March 2003 was 330p (2002: 325p) and during the year ranged from between 308p and 338.5p.

In addition to the above, under the WEHLTIP, the Company has granted allocations to Executive Directors over shares held by Trustees of the WEHLTIP as follows:

	Award date	No. of shares at 1 April 2002	Shares awarded	Shares lapsed	Shares vested	No. of shares at 31 March 2003	Value vested £	Vesting date
P C T Warner	Jan 1999	6,819	–	–	6,819	–	21,787	July 2002
	Jan 2000	8,204	–	–	–	8,204	–	Jan 2003
P W Collins	Jan 1999	6,918	–	–	6,918	–	22,103	July 2002
	Jan 2000	8,382	–	–	–	8,382	–	Jan 2003

These shares may not vest in the Executive Directors personally prior to the vesting date and two thirds of them are subject to the achievement of performance targets. The vesting of the January 1999 allocation was delayed as a result of the change of year end. The vesting of the January 2000 allocation has been similarly delayed.

Directors' Remuneration Report Continued

DIRECTORS' INTERESTS IN SHARE SCHEMES CONTINUED

In addition to the above, under the WEHPSS, shares were held by the Trustees of WEHPSS, Warner Estate Trustees Limited, on behalf of Directors as follows:

Awarded	P C T Warner†	P W Collins**	Vesting Date
22 March 2001	1,842	1,895	22 March 2004
2 July 2001	1,024	1,067	2 July 2004
	2,866	2,962	

† 1,824 shares awarded on 26 January 2000 were vested in P C T Warner on 27 January 2003.

** 1,863 shares awarded on 26 January 2000 were vested in P W Collins on 27 January 2003.

In addition to the above, under the AESOP, Partnership Shares and Dividend Shares were purchased and Matching Shares and Free Shares were awarded and held by the Trustees of the AESOP, Capita IRG Trustees Limited, on behalf of Directors as follows:

	Total number of AESOP shares at 1 April 2002	Number of partnership shares purchased	Number of matching shares awarded	Number of free shares awarded	Number of dividend shares purchased	Total number of AESOP shares at 31 March 2003
P C T Warner	462	460	460	888	–	2,270
P W Collins	462	460	460	888	95	2,365
R Moore	462	460	460	888	95	2,365

DIRECTORS' REMUNERATION

Directors' remuneration for the year ended 31 March 2003 was as follows:

	2003	2002
	£000	£000
Emoluments	1,265	870
Pension contributions to defined benefit scheme	27	20
Pension contributions to money purchase schemes	46	39
	1,338	929

DIRECTORS' EMOLUMENTS

Director	Salary and fees	Benefits	Bonus (d)	AESOP	Total emoluments excluding pensions 2003	Total emoluments excluding pensions 2002	Pension contributions (b) 2003	Pension contributions (b) 2002
	£000	£000	£000	£000	£000	£000	£000	£000
Executive								
P C T Warner	210	22	175	5	412	309	29	24
P W Collins (b)	160	19	175	5	359	232	27	20
R Moore	175	18	200	5	398	239	17	15
Non-Executive (a)								
W R Broderick	25	–	–	–	25	23	–	–
G A Cooke	23	–	–	–	23	22	–	–
J A Fooks	23	–	–	–	23	22	–	–
R H Warner	25	–	–	–	25	23	–	–
	641	59	550	15	1,265	870	73	59

(a) Fees for each of the Non-executive Directors were increased from £23,508 p.a. to £25,008 p.a. for Committee Chairmen and from £22,008 p.a. to £23,004 p.a. for the other Non-executives with effect from 1 April 2002. The rate with effect from 1 April 2003 is £27,000 p.a. for the Committee Chairmen and £24,504 p.a. for the other Non-executives.

(b) Mr P W Collins is a member of the Warner Estate Group Retirement Benefits Scheme. A contribution representing 28.4% of a salary capped for pension purposes at £97,200 was paid by the Company. The contributions in respect of Mr P C T Warner and Mr R Moore are in respect of money purchase schemes.

(c) The remuneration of the Executive Directors is determined by the Remuneration Committee.

(d) The remuneration committee, in arriving at Directors' bonuses, took account of the overall performance of the Group, including major transactions.

Directors' Remuneration Report Continued

DIRECTORS' PENSION ENTITLEMENTS

Full details of The Warner Estate Group Retirement Benefits Scheme ("the Scheme") are set out in note 3 on pages 28 and 29. The Scheme is a defined benefit scheme having the approval of the Inland Revenue and is not contracted out. The Scheme provides members with a pension of up to two thirds of pensionable salary, which excludes bonuses, performance incentives and benefits in kind, on retirement at age 60 after 40 years' service, together with a lump sum death in service benefit of four times pensionable salary and half pensions for spouses of members on their death following retirement. Pensions may be increased by up to 5% each year.

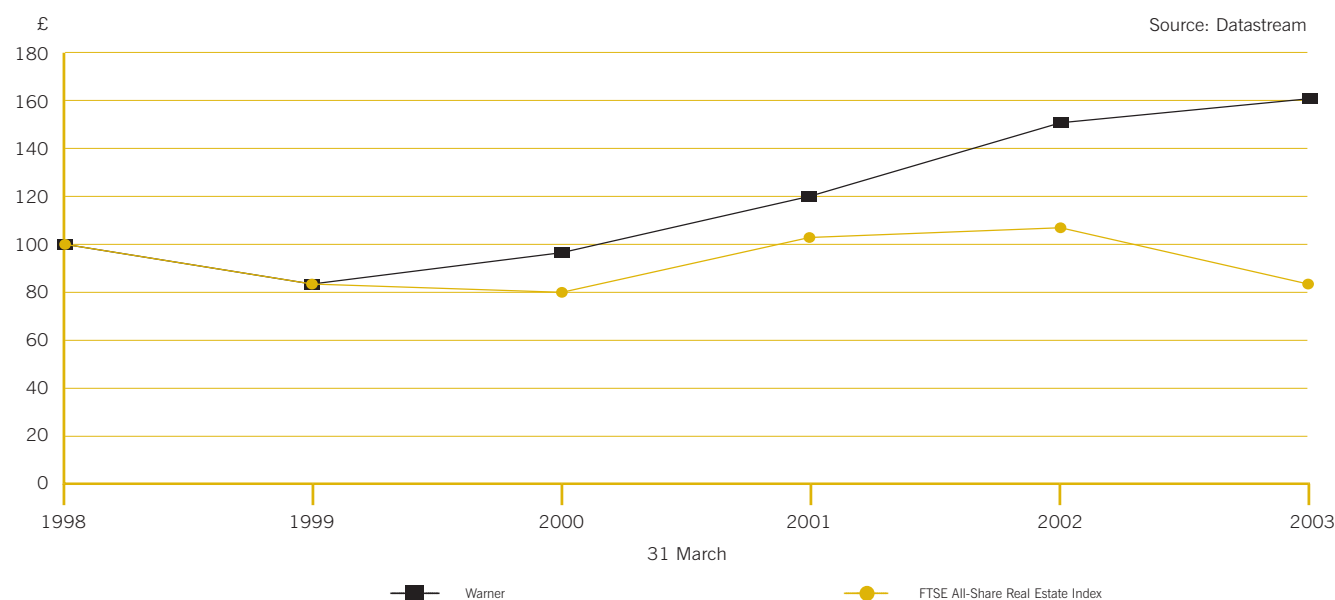
The pension for each Director shown in the table below is that which would be paid annually on retirement at age 60 based on service to the end of the year. The increase in accrued pension below excludes the effect of inflation.

	At 31 March 2003		Accrued pension	Accrued pension	Increase in accrued pension	Transfer Value	Transfer value
	Age	Length of service	2003	2002	£	2003	2002
			£	£	£	£	£
P W Collins	54	5 years	7,965	6,228	1,737	96,461	62,029

PERFORMANCE GRAPH

Recent legislation requires that listed companies' Remuneration Reports contain a graph showing the performance of the Company and "a broad equity market index" over the past five years. As the Company is a constituent of the FTSE All-Share Real Estate Index, that index is considered the most appropriate form of "broad equity market index" against which the Company's performance should be graphed. Performance, as required by legislation, is measured by Total Shareholder Return as represented by share price growth plus reinvested dividends.

TOTAL SHAREHOLDER RETURN



The graph looks at the value, by the 31 March 2003, of £100 invested in Warner Estate on 31 March 1998 compared with the value of £100 invested in the FTSE All-Share Real Estate Index.

APPROVAL

An Ordinary Resolution to approve this report will be proposed at the Annual General Meeting of the Company. This report was approved by the Board of Directors on 9 June 2003 and was signed on its behalf by:

W R Broderick

Chairman of the Remuneration Committee
For and on behalf of the Board
9 June 2003

Corporate Governance Statement

A summary of the application by the Company of the principles set out in the Combined Code are set out below. Save in respect of four matters, which are explained below, the Directors believe that the Company has complied fully with the Combined Code during and after the year ended 31 March 2003.

BOARD OF DIRECTORS

The Board of the Company comprises three Executive Directors and four Non-executive Directors. The Directors believe that the present balance and composition of the Board is appropriate. Mr W R Broderick is the Senior Independent Non-executive Director. Mr J A Fooks is a director and minority shareholder of Fooks Property Company Limited (FPC) which holds 4.82% of the Company. The Directors consider Mr Fooks (who is a non-executive director of several other companies) to be independent because that is his position with regard to management and because they do not consider FPC's holding of 4.82% in the Company could materially interfere with the exercise of his independent judgement.

The full Board meets at least six times a year and retains full and effective control over the Group's activities. The regular meetings review the performance of the Group against its budget and strategy, examine purchases and disposals and formulate the Group's policy. Board papers containing appropriate and timely information are circulated in advance of Board meetings to all Directors.

Whilst the Board retains final authority over all significant capital investments and borrowing transactions, day to day management is delegated to an Executive Board consisting of the Executive Directors and Associate Directors, operating within an annual strategic plan and budget set by the full Board.

However, there is regular communication with Non-executive Directors to keep them informed of the Company's operations.

The Company has a procedure in place for Directors to take independent professional advice if they feel it is required at the Company's expense and also have access to the advice and services of the Company Secretary.

Biographies of the Directors are shown on page 5. The attendance by Directors at scheduled Board and Committee meetings during the year was 100% in all cases except one occasion when Mr P C T Warner was unable to attend a Board meeting due to a bereavement.

A Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 9.

The Articles of Association require one-third of the Board of Directors to retire by rotation each year.

AUDIT COMMITTEE

The Chairman of the Audit Committee is Mr R H Warner and its other members are Mr W R Broderick and Mr J A Fooks. It meets at least twice a year with the external auditors and the Finance Director attending by invitation. The external auditors attend part of each Audit Committee meeting without the presence of the Finance Director for independent discussions. The Audit Committee reviews the annual accounts and the preliminary financial results announcement prior to submission to the Board, compliance with accounting standards, the scope and extent of the external audit programme, the appointment of the auditors and monitors the adequacy of the Group's internal controls. The Chairman of the Audit Committee reports to the Board on matters discussed at Audit Committee meetings.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr W R Broderick and its members are the Non-executive Directors. It meets at least twice a year and advises the Board on executive

remuneration policy and in particular, makes recommendations regarding terms of employment of Executive Directors, their remuneration and the awarding of options and other incentives. No Director is involved in deciding his own remuneration.

The Directors' Remuneration Report is given on pages 11 to 15.

NOMINATIONS COMMITTEE

A Nominations Committee has been established and is responsible for the selection and approval of candidates for appointment to the Board. The Chairman of the Nominations Committee is Mr P C T Warner and all the Directors of the Company are members.

RELATIONS WITH SHAREHOLDERS

The Company values dialogue with institutional and private shareholders. The Chairman and the Executive Directors attended a number of meetings with both analysts and institutional investors during the year ended 31 March 2003, and intend to continue to do so in future. The Board uses the Company's Annual General Meeting and meetings with private client brokers to communicate with private investors. In addition, the Company has a website which shareholders can access for information on the Company.

At the Annual General Meeting shareholders vote separately on each proposal and the proxy count is given after each resolution.

CORPORATE SOCIAL RESPONSIBILITY

The Board recognises the importance of social, environmental and ethical matters in the conduct of the Company's business. A report on Corporate Social Responsibility is given on page 10.

Corporate Governance Statement Continued

INTERNAL CONTROL

The Board has overall responsibility for the Group's framework of internal control, including financial control, and the monitoring of its effectiveness. The internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. The Company, because of its size, does not have an internal audit department, but internal audit functions are carried out by a designated part of the finance function. Any such system of control can, however, provide only reasonable, but not absolute assurance against material misstatement or loss.

The main features of the Group's framework for internal financial control which operate within the established organisation structure with formally defined areas of responsibility are:

- a comprehensive budgeting system with an annual budget and strategic plan approved by the Board
- monthly management accounts showing operating results and cash flow as compared with budget
- forecasts reviewed quarterly during the year
- regular reports to the Board on property, treasury, IT and legal matters
- a budgeted expenditure programme with clearly defined guidelines which includes detailed appraisal and review procedures and levels of authority
- investment appraisals for major investments
- the monitoring of business risks by the Executive Directors at regular meetings throughout the year and targeting of specific areas of the business for review and report by the Finance Department.

GOING CONCERN BASIS

After making enquiries, the Directors consider that the Group has adequate resources and committed borrowing facilities to continue in operational existence for the foreseeable future. Consequently, they continue to adopt a "Going Concern Basis" in preparing the accounts.

COMPLIANCE STATEMENT

The Company has complied throughout the accounting year with the Code provisions of Section 1 of the Combined Code with the following exceptions:

- A.2.1 Mr P C T Warner has combined the roles of Chairman and Chief Executive since 1993 to the present time. His responsibilities include chairing meetings of the full Board, weekly meetings with the Executive Board and executive leadership or involvement in corporate policy development, property acquisitions and shareholder relations. The Combined Code recommends that the roles of Chairman and Chief Executive be separated and requires any decision to combine them, to be publicly justified. The Directors, having considered the matter carefully, believe that the Group's "collective" style of management, coupled with the presence of effective independent Non-executive Directors, ensures that there is a proper balance of power and authority within the Company.
- A.5.1 There was no Nominations Committee during the year. On 19 March 2003, a Nominations Committee was established and is responsible for the selection and approval of candidates for appointment to the Board.

A.6.1 Non-executive Directors are not appointed for specified terms as the retirement by rotation every three years is considered to be sufficient.

B.2.2 The Remuneration Committee, whilst independent of management, does not currently consist exclusively of Non-executive Directors who are independent under the provisions of the Combined Code.

The attention of shareholders is drawn to the Report of the Independent Auditors on page 19 which incorporates their report on Corporate Governance.

Significant events during year ended 31 March 2003

	DATE
Purchase of office property in Bath Street, Glasgow for £12.5m	May 2002
Disposal of major property asset in Warrington Industrial Investments Limited joint venture for £2.1m	May 2002
Sale of 50% shareholding in Midland Commercial Properties Limited joint venture for £2.1m	July 2002
Purchase of Market Place Shopping Centre, Bolton for £64.5m through a joint venture with Bank of Scotland	August 2002
Sale of six smaller lot size properties for £16.6m	June/August 2002
Purchase of Middleton Shopping Centre for £39.5m through a joint venture with Bank of Scotland	September 2002
Sale of three industrial estates for £10.9m	October 2002
The Agora Fund:	
The £223m Agora Shopping Centre Fund formed through a joint venture with Bank of Scotland	} March 2003
The transfer of the Bolton and Middleton shopping centre joint ventures into the Agora Fund	
Sale of the Group's shopping centres in Ellesmere Port, Sale and Liverpool into the Agora Fund for £65m	
Purchase of Fishergate Shopping Centre, Preston by the Agora Fund for £47.5m	

Significant events post 31 March 2003

There have been no significant events post 31 March 2003

Report of the Independent Auditors to the Members of Warner Estate Holdings PLC

We have audited the financial statements on pages 20 to 45 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out on pages 24 to 26. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view

and whether the financial statements and the auditable part of the Directors' Remuneration Report have been 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 regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, Finance Review and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 to form an opinion on the effectiveness of the Company and Group's corporate governance procedures or its risk and control procedures.

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 Company'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 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 at 31 March 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
9 June 2003

Consolidated Profit and Loss Account

	Notes	2003	2002
		£000	£000
Turnover: group and share of joint ventures and associate	2	52,687	40,603
Less: Share of joint ventures and associate		(7,589)	(6,171)
Group turnover	2	45,098	34,432
Cost of sales		(14,222)	(10,487)
Gross profit	2	30,876	23,945
Administrative expenses		(2,147)	(1,783)
Group operating profit		28,729	22,162
Share of operating profit in:			
Joint ventures	2	2,392	754
Associate	2	1,424	2,352
		3,816	3,106
Total operating profit		32,545	25,268
Profit on sale of fixed assets	5	1,552	2,083
Income from fixed asset investments	6	814	603
Profit on ordinary activities before interest		34,911	27,954
Net interest payable and similar charges	7	(18,354)	(12,804)
Profit on ordinary activities before taxation		16,557	15,150
Taxation on profit on ordinary activities	8	(2,728)	(3,502)
Profit on ordinary activities after taxation		13,829	11,648
Dividends	10	(8,115)	(7,490)
Retained profit		5,714	4,158
Basic earnings per share	11	p	p
Revenue		24.33	19.16
Capital		3.08	3.56
		27.41	22.72
Diluted earnings per share	11	p	p
Revenue		24.32	19.16
Capital		3.07	3.56
		27.39	22.72
Adjusted earnings per share	11	p	p
Revenue		23.32	21.42
Capital		3.08	3.56
		26.40	24.98

Balance Sheets

	Notes	2003 £000	Group 2002 £000	2003 £000	Company 2002 £000
Fixed assets					
Tangible fixed assets					
Investment properties	12	333,821	403,186	-	-
Other tangible assets	13	504	439	-	-
		334,325	403,625	-	-
Joint ventures					
Share of gross assets	14	121,466	7,108	3,663	7,108
Share of gross liabilities		(115,847)	(4,902)	(3,690)	(4,902)
Loan accounts		19,354	1,868	19,354	1,868
		24,973	4,074	19,327	4,074
Investments	15	21,007	22,879	115,163	114,936
		380,305	430,578	134,490	119,010
Current assets					
Property stock		46,044	53,374	-	-
Debtors	16	11,301	5,326	155,521	157,368
Investments	17	-	309	-	-
Cash at bank and in hand		16,638	843	878	-
		73,983	59,852	156,399	157,368
Current liabilities					
Creditors: amounts falling due within one year	18	(95,043)	(137,230)	(93,506)	(81,731)
Net current (liabilities)/assets		(21,060)	(77,378)	62,893	75,637
Total assets less current liabilities		359,245	353,200	197,383	194,647
Creditors: amounts falling due after more than one year		(135,475)	(137,362)	-	-
Provision for liabilities and charges					
Deferred taxation	19	(4,364)	(4,919)	-	-
Net assets excluding pension liability		219,406	210,919	197,383	194,647
Pension liability	3	(235)	(36)	-	-
Net assets		219,171	210,883	197,383	194,647
Capital and reserves					
Called up share capital	21	2,548	2,547	2,548	2,547
Share premium account	22	5,548	5,522	5,548	5,522
Revaluation reserve	23	12,920	15,585	870	999
Other reserves	23	187,344	180,348	69,062	69,473
Profit and loss account	23	10,811	6,881	119,355	116,106
Equity shareholders' funds		219,171	210,883	197,383	194,647

The accounts on pages 20 to 45 were approved by the Board of Directors on 9 June 2003 and were signed on its behalf by:

Philip Warner Director **Peter Collins** Director

Statement of Total Recognised Gains and Losses

	Notes	2003	2002
		£000	£000
Profit on ordinary activities after taxation		13,829	11,648
Unrealised surplus/(deficit) on revaluation of properties:			
Group	12/23	3,745	4,022
Joint ventures	14/23	(4)	15
Associate	23	(748)	185
Unrealised surplus on disposal of investment properties into joint venture	23	1,190	–
Unrealised (deficit)/surplus on revaluation of investments	15	(1,404)	174
Actuarial loss on pension scheme assets	3/23	(317)	(362)
Deferred tax arising on pensions scheme assets	3/23	85	98
Tax on realisation of revalued properties	23	–	(464)
Total recognised gains relating to the year		16,376	15,316

Note of Historical Cost Profits and Losses

	Notes	2003	2002
		£000	£000
Revenue profit on ordinary activities before taxation		15,005	13,067
Capital profit on ordinary activities before taxation	5	1,552	2,083
Reported profit on ordinary activities before taxation		16,557	15,150
Realisation of revaluation surpluses of previous years	23	5,444	60,372
Historical cost profit on ordinary activities before taxation and dividends		22,001	75,522
Retained profit for the year			
Revenue		4,162	2,331
Capital		6,996	61,735
Historical cost profit for the year retained after taxation and dividends		11,158	64,066

Reconciliation of Movements in Shareholders' Funds

Notes	2003	2002
		£000
Profit on ordinary activities after taxation		13,829
Dividends	10	(8,115)
		5,714
New share capital issued	21/22	27
Share capital purchased and cancelled in year (including expenses)		–
Other recognised gains and losses	23	2,547
Net increase in shareholders' funds		8,288
Opening equity shareholders' funds		210,883
Closing equity shareholders' funds		219,171

Consolidated Cash Flow Statement

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Net cash inflow from operating activities	24		34,691		14,783
Dividends received from joint ventures and associate			358		296
Returns on investments and servicing of finance					
Interest received		327		1,469	
Interest and similar charges paid		(16,301)		(12,491)	
Dividends received from listed investments		814		603	
Net cash outflow from returns on investments and servicing of finance			(15,160)		(10,419)
Taxation					
UK corporation tax paid			(1,770)		(2,298)
Capital expenditure and financial investments					
Purchases of tangible fixed assets		(23,108)		(139,403)	
Sales of tangible fixed assets		94,635		33,883	
Purchase of listed investments		(65)		(3,121)	
Disposal of listed investments		–		69,113	
Loans to joint ventures		(17,739)		(1,317)	
Repayment of long term loans to joint ventures		–		350	
Repayment of short term loans to joint ventures		253		–	
Premiums paid on sinking fund policy		(6)		(6)	
Purchase of own shares for LTIP and share option scheme		(97)		(1,219)	
Net cash inflow/(outflow) from capital expenditure and financial investments			53,873		(41,720)
Acquisitions and disposals					
Purchase of shares in associate undertaking		–		(339)	
Acquisition of minority interest		–		(100)	
Acquisition of shares in joint ventures		(5,525)		–	
Disposal of shares in joint ventures		2,164		–	
Net cash outflow from acquisitions and disposals			(3,361)		(439)
Equity dividends paid			(11,480)		(8,487)
Management of liquid resources					
Disposal of current asset investment			44		–
Net cash inflow/(outflow) before financing			57,195		(48,284)
Financing					
Repayment of bank loan		(600)		(611)	
Repayment of mortgage and other loans		(1,508)		(827)	
Issue of shares		27		613	
Share capital purchased and cancelled		–		(5,169)	
Net cash outflow from financing			(2,081)		(5,994)
Increase/(decrease) in cash	25/26		55,114		(54,278)

Notes to the Financial Statements

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. Following these standards requires departures from the requirement of the Companies Act 1985 relating to the depreciation of certain fixed assets as explained in the relevant paragraphs below. A summary of the more important policies, which have been applied consistently, is set out below.

Basis of Accounting

The accounts are prepared on the historical cost basis of accounting modified to include the revaluation of certain fixed assets and the accounting policies set out below.

Change in Accounting Presentation

There have been no new accounting standards this year requiring a change in accounting presentation and the review of the Group's accounting policies by the Board, as required by FRS 18, has necessitated no changes in accounting policies and presentation.

Basis of Consolidation

The Group accounts comprise the consolidated accounts of the Company and its subsidiary companies.

The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill

Goodwill, being the excess of the consideration paid over the fair value of the separable net assets acquired, is capitalised in the balance sheet in the year of acquisition and amortised over an appropriate period not exceeding 20 years. Unamortised goodwill attributable to businesses disposed of is charged to the profit and loss account. Negative goodwill, being the excess of the fair value of the underlying net assets acquired over the fair value of the purchase consideration, is capitalised and amortised in a similar manner. As permitted by FRS 10, the Group has not restated its accounts in respect of goodwill arising in periods prior to the year ended 30 September 1998 and such goodwill remains fully written off against reserves.

Associates

An associate is defined as an undertaking in which the Group has a participating interest and where the Group can exercise significant influence.

The consolidated profit and loss account includes the Group's share of the profits or losses of the associate and the investment in the associate included in the balance sheet represents the relevant share of net assets based on the latest published financial statements of the associate, which were made up to 31 December 2002, with appropriate adjustments made to compensate for the different year end, less any provision for diminution in value.

Joint Ventures

A joint venture is an entity in which the Group holds an interest on a long term basis and is jointly controlled by the Group and one or more independent parties under a contractual arrangement. The Group's share of profits less losses of joint ventures is included in the consolidated profit and loss account and the Group's share of post acquisition retained profits and reserves is added to the cost of the investment in the consolidated balance sheet. These amounts are taken from the latest audited or reliable management accounts made up to a date co-terminous with the financial year of the Company.

Notes to the Financial Statements Continued

Turnover

Turnover includes rents receivable from property investment and trading properties and sales of trading properties, net of value added tax. Turnover between Group companies is excluded.

Realised Capital Surpluses and Deficits

Realised surpluses and deficits of a capital nature are transferred to other capital reserve. The Directors do not regard capital surpluses as appropriate for distribution to shareholders.

Sale of Properties

Sales are recognised when unconditional contracts are exchanged for commercial properties and on completion for residential properties.

Investment Properties

Investment properties are stated at open market valuation at the balance sheet date. The aggregate surplus or temporary deficit arising on revaluation is transferred to the revaluation reserve and, to the extent that it has not been previously accounted for against revaluation reserve, any permanent deficit to the profit and loss account. Development properties are included at cost including interest and other attributable outgoings less rents received and provisions. Properties in course of development are reclassified as investment properties on the earliest of the property becoming fully let, income exceeding outgoings or two years after completion. Provision is made in the profit and loss account to the extent that the carrying values of investment and development properties are expected by the Directors to remain below cost for the foreseeable future.

Depreciation

In accordance with SSAP 19, no depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the Directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties and changes in that current value are of prime importance, rather than a calculation of systematic annual depreciation. Depreciation 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.

Other tangible assets are depreciated by equal annual instalments over their estimated useful lives of between three and 10 years.

Fixed Asset Investments

Other than the investment in the associate, referred to in the relevant paragraph above, listed fixed asset investments are stated at their middle market quotation on the London Stock Exchange at the balance sheet date. Provision is made in the profit and loss account to the extent that the carrying value of listed fixed asset investments are expected to remain below cost for the foreseeable future.

Financial Instruments

Other than the fixed asset investments referred to above, the Group's financial instruments are included in the consolidated balance sheet at cost. Gains and losses on such instruments are accounted for on realisation.

Property Trading Stock

Property trading stock is stated at the lower of cost and estimated net realisable value. No interest is charged to this stock.

Finance Costs

Costs of raising term loans are charged to the profit and loss account over the life of the loans. Such costs are included within the carrying value of the loans.

Notes to the Financial Statements Continued

Deferred Taxation

In accordance with the provisions of accounting standard FRS 19 (Deferred Tax), deferred tax is provided in respect of all timing differences which have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future, except that:

1. Provision is not made in respect of property revaluation surpluses; and
2. Deferred tax assets are recognised only to the extent that it is more likely than not there will be suitable taxable profits from which the future reversal of the relevant timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates which apply at the balance sheet date.

Retirement Benefits

- (a) The assets of the Group's defined benefit pension scheme are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the year is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.
- (b) Payments to employees' personal pension schemes and discretionary allowances are charged to the profit and loss account as they become payable.

Leases

Rentals payable under operating leases are charged over the lease terms on a straight line basis or on the basis of actual rentals payable where this fairly reflects usage.

Notes to the Financial Statements Continued

2 TURNOVER AND OPERATING PROFIT

The Directors believe that the Group operates in only one segment, namely in property. The following analysis is provided for information only.

	Property Investment	Property Trading	Group Total	Joint Ventures	Associate	Total
Year ended 31 March 2003	£000	£000	£000	£000	£000	£000
Turnover						
Rents receivable	33,230	3,767	36,997	2,690	1,942	41,629
Property trading	–	8,101	8,101	2,954	3	11,058
Total turnover	33,230	11,868	45,098	5,644	1,945	52,687
Property outgoings	(5,415)	(1,179)	(6,594)	(476)	(251)	(7,321)
Cost of sales	–	(7,291)	(7,291)	(2,501)	(62)	(9,854)
Writedown cost of trading stock	–	(337)	(337)	–	–	(337)
Gross profit	27,815	3,061	30,876	2,667	1,632	35,175
Administrative expenses	(1,908)	(239)	(2,147)	(275)	(208)	(2,630)
Operating profit	25,907	2,822	28,729	2,392	1,424	32,545

	Property Investment	Property Trading	Group Total	Joint Ventures	Associate	Total
Year ended 31 March 2002	£000	£000	£000	£000	£000	£000
Turnover						
Rents receivable	24,686	2,721	27,407	804	1,862	30,073
Property trading	–	7,025	7,025	1,460	2,045	10,530
Total turnover	24,686	9,746	34,432	2,264	3,907	40,603
Property outgoings	(4,090)	5	(4,085)	(39)	(255)	(4,379)
Cost of sales	–	(6,104)	(6,104)	(1,160)	(1,105)	(8,369)
Writedown cost of trading stock	–	(298)	(298)	–	–	(298)
Gross profit	20,596	3,349	23,945	1,065	2,547	27,557
Administrative expenses	(1,501)	(282)	(1,783)	(311)	(195)	(2,289)
Operating profit	19,095	3,067	22,162	754	2,352	25,268

All turnover and operating profit has arisen from continuing operations.

Administrative expenses for the year ended 31 March 2002 included £240,000 of costs relating to the Tender Offer made by Trefick Limited.

	2003	2002
	£000	£000
Operating profit is stated after charging		
Depreciation	133	130
Loss on disposal of tangible fixed assets	–	11
Operating lease charges – properties	759	316

During the year the following amounts were charged to the profit and loss account in respect of auditor's remuneration:

	2003	2002
	£000	£000
Audit services (Company: £65,000 (2002: £41,000))	137	104
Audit related services ⁽¹⁾	7	19
Non audit services		
Taxation	156	154
Other	–	5
	300	282

⁽¹⁾ These include the cost of the interim audit and audit certifications for debt covenant purposes.

In addition to the fees charged to the profit and loss account £220,000 was charged by the auditors for tax and accounting work in connection with the setting up of the Agora Joint Venture (2002: £106,000 in connection with the purchase of commercial properties).

Notes to the Financial Statements Continued

3 EMPLOYEES

	2003	2002
	£000	£000
Staff costs		
Wages and salaries	3,708	2,396
Social security costs	291	183
Other pension costs	190	135
	4,189	2,714
	2003	2002
	Number	Number
The average number of person employed during the year was:		
Management and administrative	36	31
Repairs and service	13	9
	49	40

Pension Commitments

The Group operates and contributes to pension schemes for certain Directors and employees and makes some discretionary allowances. The costs charged to the profit and loss account for the year in respect of these amounted to £190,000 (2002: £135,000). Pension premiums paid in advance were £47,000 (2002: £33,000).

The Group operates a defined benefit scheme in the UK, The Warner Estate Group Retirement Benefits Scheme. A full valuation was carried out at 1 October 2000 and updated to 31 March 2001, 31 March 2002 and 31 March 2003 by a qualified independent actuary.

It has been agreed with the Trustees that the Group contributions for the next three and a half years will be at 28.4% of pensionable salaries, subject to review by the Scheme Actuary.

The following assumptions were made by the actuary:

	% per annum
Discount rate	5.5
Rate of increase of salaries	3.0
Rate of increase in payment and deferred pensions	2.5
Price inflation	2.5

The value of the assets and liabilities of the Scheme together with the expected rates of return at the beginning and end of the year were as follows:

	Long term rate of return expected at 31 March 2003	Value at 31 March 2003	Long term rate of return expected at 31 March 2002	Value at 31 March 2002
	%	£000	%	£000
Equities	7.0	502	7.0	654
Fixed interest	5.4	3,995	5.9	3,883
Cash	4.0	90	–	–
Total market value of assets		4,587		4,537
Present value of Scheme liabilities		(4,922)		(4,588)
Deficit		(335)		(51)
Related deferred tax asset		100		15
Net pension liability		(235)		(36)

Included within the above value of Scheme assets and liabilities is £3,917,000 (2002: £3,801,000) relating to insured pensioners' liability.

Notes to the Financial Statements Continued

Pension Commitments Continued

Analysis of amount charged to operating profit	2003	2002
	£000	£000
Current service cost	35	46
Analysis of the movements in Scheme deficit during the year		
	2003	2002
	£000	£000
(Deficit)/surplus in Scheme at beginning of year	(51)	276
Movements in year:		
Current service cost	(35)	(46)
Contributions paid	65	54
Other finance income	3	27
Actuarial losses:		
Actual return less expected return on the Scheme assets	(198)	(454)
Experience gains and losses arising on the Scheme liabilities	(24)	92
Change in assumptions underlying the present value of the Scheme liabilities	(95)	–
Actuarial losses recognised in statement of total recognised gains and losses	(317)	(362)
Deficit in Scheme at end of year	(335)	(51)

4 DIRECTORS' REMUNERATION

A summary of Directors' remuneration, including disclosure required by the Companies Act 1985, is set out in the Report on Directors' Remuneration on pages 11–15.

5 PROFIT ON SALE OF FIXED ASSETS

	2003	2002
	£000	£000
Surplus/(deficit) over book value		
Investment properties ⁽¹⁾	1,187	(81)
Investments (see note 30)	–	2,164
Share of associate	365	–
	1,552	2,083

⁽¹⁾ Profit on sale of investment properties includes 50% of realised profit on disposal of shopping centres into the Agora Fund (£1,190,000) less direct costs incurred of £1,140,000.

Prior years' revaluation surpluses realised		
Investment properties	5,444	2,083
Other investments	–	58,244
Joint ventures	–	45
	5,444	60,372

Notes to the Financial Statements Continued

6 INCOME FROM FIXED ASSET INVESTMENTS

	2003	2002
	£000	£000
Dividends from fixed asset listed investments	814	603

7 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£000	£000
Interest payable and similar charges on bank loans and overdrafts, mortgages and other loans:		
repayable within five years not by instalments	6,419	2,287
repayable wholly or partly in more than five years by instalments	9,612	9,333
	16,031	11,620
Charge in respect of cost of raising finance	575	1,003
	16,606	12,623
Less capitalised interest	(53)	(77)
	16,553	12,546
Interest receivable and similar income:		
From joint ventures (note 14)	(1,052)	(185)
Other interest	(400)	(876)
	15,101	11,485
Other finance income		
Expected return on pension scheme assets	(271)	(346)
Interest on pension scheme liabilities	268	319
	(3)	(27)
	15,098	11,458
Share of joint ventures' net interest	2,258	245
Share of associate's net interest	998	1,101
	18,354	12,804

Included within interest payable is £222,000 (2002: £222,000) in respect of amortisation of the fair value adjustment to the debt acquired from the former Winglaw Group Limited on 1 March 2000.

Notes to the Financial Statements Continued

8 TAXATION

	2003	2002
	£000	£000
Taxation on profit on ordinary activities		
UK corporation tax:		
Current at 30% (2002: 30%)	2,701	1,697
Deferred	(555)	1,214
	2,146	2,911
Under provision in respect of prior year's tax charge	214	241
	2,360	3,152
Share of tax in joint ventures	47	131
Share of tax in associate	321	219
	2,728	3,502
	2003	2002
	£000	£000
Reconciliation of current taxation charge		
Tax at 30% (March 2002: 30%) on profit on ordinary activities before taxation	4,967	4,545
Use of losses	(529)	(909)
Dividends received not taxable	(244)	(181)
Capital allowances claimed	(1,471)	(1,249)
Profits attributable to joint ventures	(40)	(153)
Profits attributable to associate	(122)	(375)
Other differences	140	19
	2,701	1,697
	2003	2002
	£000	£000
Tax on profit on sale of fixed assets		
UK corporation tax:		
Current at 30% (2002: 30%)	–	256
Deferred	–	–
	–	256

9 PROFIT OF WARNER ESTATE HOLDINGS PLC

The Company has taken advantage of the exemption provided by Section 230 of the Companies Act 1985 from presenting its own profit and loss account. Profit attributable to members includes £10,953,000 (2002: £69,337,000) which has been dealt with in the accounts of the Company.

10 DIVIDENDS

	2003	2002
	£000	£000
On ordinary 5p shares		
Interim 7.75p on 50,950,197 shares paid 28 February 2003 (2002: 7.25p)	3,950	3,657
Final proposed 8.25p on 50,950,197 shares payable 29 August 2003 (2002: 7.75p)	4,203	3,911
Adjustment to 2002 final on shares held under the LTIP and share option scheme (2002: adjustment to 2001 final on shares held under the LTIP and Share Option Scheme)	(38)	(78)
	8,115	7,490

Notes to the Financial Statements Continued

11 EARNINGS PER SHARE

Earnings per share of 27.41p (2002: 22.72p) are calculated on the profit on ordinary activities after taxation of £13,829,000 (2002: £11,648,000) and the weighted average of 50,457,216 (2002: 51,251,783) shares in issue throughout the year.

Profit on ordinary activities after taxation includes capital profits on the sale of investment properties net of tax of £1,552,000 (2002: £1,827,000).

Diluted earnings per share of 27.39p (2002: 22.72p) are calculated on the profit on ordinary activities after taxation of £13,829,000 (2002: £11,648,000) and the weighted average of 50,483,730 (2002: 51,254,606) after the dilutive impact of share options granted.

Adjusted earnings per share are calculated on the same weighted average number of shares as for the basic earnings per share, but exclude from revenue profits the deferred taxation credit of £509,000 (2002: charge of £1,156,000) arising due to FRS 19. This deferred tax has been excluded as the Group's experience is that it is very unusual for capital and industrial building allowances to be claimed back on the disposal of a property.

12 INVESTMENT PROPERTIES

	Freehold	Freehold assets held for resale	Leasehold with over 50 years unexpired	Total
	£000	£000	£000	£000
Group				
At 31 March 2002	232,202	102,012	68,972	403,186
Assets reclassified	28,427	(34,795)	6,368	–
Additions	5,183	13,121	3,414	21,718
Disposals	(60,169)	–	(34,659)	(94,828)
	205,643	80,338	44,095	330,076
Surplus on revaluation	2,637	692	416	3,745
At 31 March 2003	208,280	81,030	44,511	333,821

The £81,030,000 of freehold properties categorised as assets held for resale represent assets intended to form the core of a limited partnership or similar venture.

Properties purchased within 12 months of the balance sheet date are included at Directors' valuation. The remainder of the Group's investment portfolio was valued externally by Cushman & Wakefield Healey & Baker on an open market basis in accordance with the recommended guidelines of the Royal Institution of Chartered Surveyors as at 31 March 2003.

Investment properties were valued as follows:

	£000
Cushman & Wakefield Healey & Baker	319,634
Directors' valuation	14,187
	333,821

Additions in respect of freehold properties include £53,000 (2002: £77,000) of interest capitalised. Included within the investment properties is interest capitalised at £1,296,000 at 31 March 2003.

On an historical cost basis the investment properties which have been included above at valuation would have been shown as £326,848,000 (2002: £394,514,000) comprising cost of £326,848,000 (2002: £406,314,000) less provision for diminution of £Nil (2002: £11,800,000).

Notes to the Financial Statements Continued

13 OTHER TANGIBLE ASSETS

Group	£000
Cost	
At 31 March 2002	752
Additions	198
At 31 March 2003	950
Depreciation	
At 31 March 2002	313
Charge for year	133
At 31 March 2003	446
Net book value at 31 March 2003	504
Net book value at 31 March 2002	439

Other tangible assets include plant, machinery, fixtures, fittings, motor vehicles and equipment.

14 JOINT VENTURES

	Group	Company
Share of joint ventures:	£000	£000
At 31 March 2002	4,074	4,074
Share of profit/(loss) for the year	87	(1)
Deficit on revaluation of investments	(4)	(4)
Net equity movements	3,330	(2,228)
Net loan movements	17,486	17,486
At 31 March 2003	24,973	19,327

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Unlisted shares at cost less amounts written off	5,525	1,457	–	1,457
Group's share of post acquisition retained profits/(losses) and reserves	94	749	(27)	749
	5,619	2,206	(27)	2,206
Amounts owed by joint ventures	19,354	1,868	19,354	1,868
	24,973	4,074	19,327	4,074

Notes to the Financial Statements Continued

14 JOINT VENTURES CONTINUED

Included in share of joint ventures' gross assets and liabilities are:

	Agora Shopping Centres Ltd ^(a)	Others	Total	2002
	£000	£000	£000	£000
Group share of results				
Turnover	576	5,068	5,644	6,171
Operating profit	487	1,905	2,392	754
Net interest payable and similar charges	(442)	(1,816)	(2,258)	(245)
Profit on ordinary activities before taxation	45	89	134	509
Taxation on profit on ordinary activities	(24)	(23)	(47)	(219)
Profit on ordinary activities after taxation	21	66	87	290
Asset management fees	73	344	417	90
Interest receivable	49	1,003	1,052	185
Group share of:				
Investment properties	111,304	226	111,530	408
Trading properties	–	2,336	2,336	5,162
Other current assets	6,498	1,102	7,600	1,538
Gross assets	117,802	3,664	121,466	7,108
Current liabilities				
Loans	(106,467)	(3,341)	(109,808)	(3,853)
Other liabilities	(5,790)	(249)	(6,039)	(1,049)
Gross liabilities	(112,257)	(3,590)	(115,847)	(4,902)
Share of net assets	5,545	74	5,619	2,206

^(a) No profit or loss has been included for Bolton and Middleton that arose prior to the setting up of the Agora venture on 5 March 2003. These are included in the column "Others" and account for the increase in operating profit of £1,151,000 and interest of £1,571,000.

Effective Group share	50%	50%		
Potential recourse to the Group	Nil	Nil		
		Group		Company
	2003	2002	2003	2002
	£000	£000	£000	£000
Loans to joint ventures comprise:				
Agora Shopping Centres Limited	16,949	–	16,949	–
Warrington Industrial Investments Limited	–	253	–	253
Trade Centre Developments Limited	2,405	1,615	2,405	1,615
	19,354	1,868	19,354	1,868

Notes to the Financial Statements Continued

14 JOINT VENTURES CONTINUED

During the year the transactions on the loan accounts between the Group and the joint ventures were as follows:

	Repaid	Loaned	Total
	£000	£000	£000
Agora Shopping Centres Limited	–	16,949	16,949
Bolton Market Place Limited	(10,300)	10,300	–
Middleton Shopping Centre Limited	(6,400)	6,400	–
Warrington Industrial Investments Limited	(253)	–	(253)
Trade Centre Developments Limited	–	790	790
	(16,953)	34,439	17,486

15 FIXED ASSET INVESTMENTS

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Subsidiary undertakings (a)	–	–	113,606	113,476
Investment in associate (b)	8,856	9,486	–	–
Listed investments (c)	10,594	11,933	–	–
Own shares held (d)	1,557	1,460	1,557	1,460
	21,007	22,879	115,163	114,936

(a) Subsidiary undertakings

	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Company Total
	£000	£000	£000
Cost			
At 31 March 2002	59,821	53,655	113,476
Additions	130	–	130
At 31 March 2003	59,951	53,655	113,606

(b) Investment in associate

	Group
	£000
At 31 March 2002	9,777
Decrease in share of net assets	(670)
At 31 March 2003	9,107
Negative goodwill	
At 31 March 2002	(291)
Amortised in year	40
At 31 March 2003	(251)
Net investment in associate	
At 31 March 2003	8,856
At 31 March 2002	9,486

Notes to the Financial Statements Continued

15 FIXED ASSET INVESTMENTS CONTINUED

The market value of the Group's investment in associate as listed on the London Stock Exchange at 31 March 2003 was £8,076,000 (2002: £8,000,000).

On an historical cost basis the shares in the associate would be included in the balance sheet at £4,586,000 (2002: £4,586,000).

(c) Listed investments

	Group	Company
	£000	£000
Listed on the London Stock Exchange		
At 31 March 2002	11,933	–
Additions	65	–
	11,998	–
Deficit on revaluation	(1,404)	–
At 31 March 2003	10,594	–
	Group	Company
	£000	£000
Historic cost of listed investments		
At 31 March 2003	7,013	–
At 31 March 2002	6,948	–

(d) Own shares held

	Group	Company
	£000	£000
At 31 March 2002	1,460	1,460
Additions	134	134
Disposals	(37)	(37)
At 31 March 2003	1,557	1,557

The shares are held under the Warner Estate Holdings Long Term Incentive Plan and the 1995 Share Option Scheme, further information on which is given in the Report on Directors' Remuneration on pages 11–15.

16 DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	3,077	2,738	–	–
Amounts owed by Group undertakings	–	–	149,389	156,177
Amounts owed by associate	–	45	–	–
Other debtors	5,168	446	3,548	80
Prepayments and accrued income	3,056	2,097	2,584	1,111
	11,301	5,326	155,521	157,368

Notes to the Financial Statements Continued

17 CURRENT ASSET INVESTMENTS

	2003	2002
	£000	£000
Group		
Interest in partnerships	–	51
Premiums paid on sinking fund policies	–	258
	–	309

18 CREDITORS

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts falling due within one year				
Bank loans and overdrafts	73,143	111,862	42,753	14,979
Mortgages and other loans	794	1,294	–	–
Trade creditors	1,659	1,103	179	16
Amounts owed to Group undertakings	–	–	43,696	57,889
Dividends payable	4,203	7,568	4,203	7,568
Corporation tax	2,395	1,250	1,266	–
Other taxation and social security	997	868	110	34
Other creditors	1,276	698	536	230
Accruals and deferred income	10,576	12,587	763	1,015
	95,043	137,230	93,506	81,731
Amounts falling due after more than one year				
Mortgages and other loans	80,259	112,503	–	–
Bank loan	55,216	24,859	–	–
	135,475	137,362	–	–

Bank loans and overdrafts are secured on properties and listed investments owned by the Group. Mortgages and other loans are all secured on certain properties owned by the Group and by floating charges on assets of certain subsidiary companies.

	Group	
	2003	2002
	£000	£000
Repayable otherwise than by instalments in more than five years		
Loan repayable in 2009 at an interest rate of 1.0% over LIBOR	24,874	24,859
11.655% First Mortgage Debenture Stock 2015 (reducing to 9.75% from 2009)	10,000	10,000
9.635% First Mortgage Debenture Stock 2015	12,430	12,414
Redeemable by sinking fund policies maturing 2013 (note 17) at an interest rate of 6.5%	–	714
Mortgage repayable in 2019 at an interest rate of 0.9% over LIBOR	49,757	49,727
	97,061	97,714
Other mortgages and loans		
Redeemable in quarterly instalments of £150,000 maturing 2009:		
At an interest rate of 6.29%	20,000	20,000
At an interest rate of 6.89%	12,254	12,828
Redeemable in quarterly instalments of £125,000 maturing 2014 at an interest rate of 9.15%	5,582	5,535
Redeemable in quarterly instalments of £74,000 maturing 2014 at an interest rate of 9.06%	3,284	3,272
	138,181	139,349

Notes to the Financial Statements Continued

18 CREDITORS CONTINUED

Summary of borrowings

	Bank loans and overdrafts		Other borrowings	
	2003	2002	2003	2002
	£000	£000	£000	£000
Group				
Within one year or on demand	73,143	111,862	794	1,294
Between one and two years	650	–	794	1,394
Between two and five years	4,250	–	2,382	5,482
In five years or more	50,556	24,968	77,464	106,238
	128,599	136,830	81,434	114,408
Future finance costs	(240)	(109)	(381)	(611)
	128,359	136,721	81,053	113,797
Company				
Within one year or on demand	42,753	14,979	–	–

Of the borrowings at 31 March 2003 £57,128,000 were non-recourse loans (2002: £57,518,000).

19 DEFERRED TAXATION

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Deferred taxation arising from the timing differences noted below:				
Capital and industrial building allowances claimed on investment properties	4,328	4,837	–	–
Short term timing differences	36	82	–	–
	4,364	4,919	–	–

The movement in the capital and industrial building allowances claimed on investment properties represent £1,037,000 of allowances claimed reduced by £1,546,000 on disposal of properties.

The potential amount of deferred taxation, for which no provision has been made and which would arise if the assets held as long term investments were sold at the values at which they appear in the balance sheet, has been calculated as follows:

	2003	2002
	£000	£000
Group	1,409	2,925
Company	–	232

20 FINANCIAL INSTRUMENTS

The Group has taken advantage of the exemption under FRS 13, Derivatives and Other Financial Instruments: Disclosures, that short term debtors and creditors be excluded from disclosure on the grounds that they do not have a significant impact on the financial risk profile of the Group.

Disclosure of the Group's objectives, policies and strategies in holding financial instruments is set out in the Directors' Report on page 8.

Financial Assets

The Group has investments in equities listed on the London Stock Exchange. The value of these equities is contained in note 15 and the details of significant investments are reported in note 31 Fixed Asset Investments. These investments are all of a long term strategic nature, but are accounted for on the basis of the mid market price of these assets at the Group's year end date. The Group holds long term loan notes in the Agora Joint Venture with a fixed coupon of 4% maturing between two and five years. These are included in loans to joint ventures within the balance sheet at par. The Group's only other financial assets are short term debtors, current asset investments and cash at bank.

Notes to the Financial Statements Continued

20 FINANCIAL INSTRUMENTS CONTINUED

Financial Liabilities

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

	2003	2002
	£000	£000
Floating rate financial liabilities	–	131,730
Fixed rate financial liabilities	210,033	119,508
	210,033	251,238

The benchmark rate for determining interest payments for the floating rate financial liabilities was LIBOR/base rate depending upon the facility.

The weighted average interest rate on the fixed rate debt and the average maturity of that debt was as follows:

	2003	2002
	%	%
Weighted average interest rate:		
Group	7.97	7.95
Joint Ventures	5.63	–

	2003	2002
	Years	Years
Weighted average period for which interest rate is fixed:		
Group	6.45	7.34
Joint Ventures	5.01	–

Maturity of Financial Liabilities

	2003	2002
	£000	£000
Group		
Within one year or on demand	73,937	113,156
Between one and two years	1,444	1,394
Between two and five years	6,632	5,482
In five years or more	128,020	131,206
	210,033	251,238

Company		
Within one year or on demand	42,753	14,979

Borrowing Facilities

The Group has various borrowing facilities that were not fully utilised at the year end in which the conditions for utilising those facilities were met.

	2003	2002
	£000	£000
Expiring in one year or less		
Total facilities	147,100	155,000
Unutilised	74,573	43,014

Notes to the Financial Statements Continued

20 FINANCIAL INSTRUMENTS CONTINUED

Fair Values of Financial Assets and Liabilities

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

	2003	2003	2003	2002
	Book Value	Fair Value	Fair Value Adjustment	Fair Value Adjustment
	£000	£000	£000	£000
Group				
Primary financial instruments				
Liabilities				
Short term debt and the current portion of long term debt	73,937	73,937	–	–
Long term debt (over one year)	62,822	76,291	(13,469)	(9,068)
Assets				
Financial assets				
Long term loan notes (over one year)	(16,575)	(16,434)	(141)	–
Derivative instruments held to manage debt				
Interest rate swaps	–	3,089	(3,089)	(1,294)
Interest rate caps	(587)	(294)	(293)	4
Joint ventures				
Primary financial instruments				
Long term debt (over one year)	16,575	16,434	141	–
Derivative instruments held to manage debt				
Interest rate swaps	–	581	(581)	–

The effect on net assets per share of the total fair value adjustment (£17,432,000 less tax of £5,230,000) would be a decrease of 23.9 pence (2002: 14.2 pence).

The calculation of the fair values has been arrived at as follows:

Debt has been calculated by discounting cash flows at prevailing rates of interest.

The equity assets have been valued at the quoted share price based upon the strategic nature of the holdings compensating for any placing discount.

Interest rate swaps have been valued at the market rate for such swaps.

Interest rate derivatives to manage interest rate profile are analysed as follows:

Group

£9,000,000 swapped at 7.52% fixed to 2007.

£19,400,000 swapped at 5.965% fixed to 2009.

£5,500,000 swapped at 5.88% fixed to 2009.

£6,200,000 swapped at 6.56% fixed to 2003.

£15,000,000 capped at 7.50% to 2003.

£100,000,000 capped at 7.25% to 2007.

Joint Venture

£175,000,000 swapped at 4.1% to 2008.

The amounts are swapped or capped relative to 3 month LIBOR.

Notes to the Financial Statements Continued

20 FINANCIAL INSTRUMENTS CONTINUED

Gains and Losses on Hedges

The Group uses interest rate derivatives to manage its interest rate profile. Changes in the fair value of the above instruments are not recognised until the position matures. An analysis of these unrecognised gains and losses is as follows:

	£000
Unrecognised losses on hedges at 31 March 2002	1,294
Prior year losses recognised during the year	(916)
Unrecognised losses arising during the year	2,417
Unrecognised losses on hedges at 31 March 2003	2,795
	£000
Of which expected to arise:	
In year to 31 March 2004	922
In year to 31 March 2005 or later	1,873

Market Price Risk

It is the Group's policy to minimise its market price risk which comprises solely interest rate exposures. This is done by the use of interest rate instruments to cap the Group's exposure to material increases in rates. The main thrust of the policy is, however, to ensure the carrying cost of investment property purchases remains fixed over the expected life of retention of those properties by the Group hence the use of fixed rate loans. Additionally when considering a significant investment purchase which may take time to complete, the Group gives consideration to the use of contingent hedging so as to ensure that long term rates do not move prior to the Group's ability to fix the associated debt.

21 SHARE CAPITAL

	2003	2002
	£000	£000
Authorised		
60,000,000 Ordinary shares of 5p	3,000	3,000
Ordinary shares of 5p		
Allotted, called up and fully paid at 31 March 2002 (50,939,199 shares)	2,547	2,617
Allotted under share option schemes (10,998 shares)	1	14
Shares purchased and cancelled	–	(84)
Allotted, called up and fully paid at 31 March 2003 (50,950,197 shares)	2,548	2,547

At 31 March 2003 there were share options to subscribe for Ordinary shares under the Warner Estate Holdings 1995 Share Option Scheme as follows:

At 252.5p per share between 29 January 2001 and 28 January 2008	4,573 shares
At 303.5p per share between 16 August 2004 and 15 August 2011 (to be read in conjunction with note 15(d))	285,755 shares
At 319p per share between 17 July 2005 and 16 July 2012 (to be read in conjunction with note 15(d))	331,702 shares

During the year 10,998 new Ordinary shares of 5p each were allotted for a cash consideration of £27,000 in accordance with the provisions of the Warner Estate Holdings 1995 Share Option Scheme.

Notes to the Financial Statements Continued

22 SHARE PREMIUM ACCOUNT

	2003	2002
	£000	£000
At 31 March 2002	5,522	4,923
Premium on shares issued under share option scheme (Note 21)	26	599
At 31 March 2003	5,548	5,522

23 RESERVES

	Revaluation reserve	Other Reserves			Profit and loss account
		Capital redemption reserve	Merger reserve	Other capital reserve	
	£000	£000	£000	£000	£000
Group					
At 31 March 2002	15,585	303	7,693	172,352	6,881
Transfer from profit and loss account	–	–	–	1,552	(1,552)
Realised on disposal of investment properties	(5,444)	–	–	5,444	–
Revaluation surplus on investment properties	3,745	–	–	–	–
Share of joint ventures' revaluation deficit on investment properties	(4)	–	–	–	–
Decrease on revaluation of investments and shares of associate	(2,152)	–	–	–	–
Unrealised surplus on property disposal into joint venture	1,190	–	–	–	–
Actuarial losses on pension scheme assets	–	–	–	–	(317)
Deferred tax on pension assets	–	–	–	–	85
Retained profit for the year	–	–	–	–	5,714
At 31 March 2003	12,920	303	7,693	179,348	10,811
Company and subsidiaries	10,519	303	7,693	178,541	9,655
Joint ventures	67	–	–	–	27
Associate	2,334	–	–	807	1,129
At 31 March 2003	12,920	303	7,693	179,348	10,811

The closing balance on the profit and loss account includes £235,000 liability (2002: £36,000) stated after a deferred tax asset of £100,000 (2002: £15,000) in respect of the Group's defined benefit pension scheme as set out in note 3 to the accounts.

Company

At 31 March 2002	999	303	6,775	62,395	116,106
Transfer to profit and loss account	–	–	–	(411)	411
Deficit on revaluation of joint ventures	(129)	–	–	–	–
Retained profit for the year	–	–	–	–	2,838
At 31 March 2003	870	303	6,775	61,984	119,355

The Company's profit and loss account includes £108,544,000 derived from capital profits in subsidiary undertakings and, therefore, the Directors consider that distributable profits are £10,811,000.

Notes to the Financial Statements Continued

24 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£000	£000
Operating profit	28,729	22,162
Depreciation of tangible fixed assets	133	130
Loss on sale of other tangible fixed assets	–	11
Decrease/(increase) in stocks	7,330	(24,390)
(Increase)/decrease in debtors	(2,096)	19,513
Increase/(decrease) in creditors	595	(2,643)
Net cash inflow from operating activities	34,691	14,783

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003	2002
	£000	£000
Increase/(decrease) in cash in the year	55,114	(54,278)
Decrease in long term mortgages and loans	1,787	1,438
	56,901	(52,840)
Opening net debt	(249,675)	(196,835)
Closing net debt	(192,774)	(249,675)

26 ANALYSIS OF NET DEBT MOVEMENTS

	2002	Reclassification	Cash flow	Non-cash items	2003
	£000	£000	£000	£000	£000
Cash at bank and in hand	843	–	15,795	–	16,638
Bank overdrafts/short term borrowings	(111,862)	–	39,319	–	(72,543)
		–	55,114	–	
Debt due within one year					
Mortgage and other loans	(1,294)	500	–	–	(794)
Bank loan	–	(600)	–	–	(600)
		(100)	–	–	
Debt due after one year					
Mortgage and other loans	(112,503)	30,816	1,508	(80)	(80,259)
Bank loan	(24,859)	(30,716)	600	(241)	(55,216)
		–	2,108	(321)	
Net debt	(249,675)	–	57,222	(321)	(192,774)

A term facility previously disclosed under mortgage and other loans has been reclassified as a bank loan to reflect the change in the status of the lender and the debt repayment profile.

27 CONTINGENT LIABILITIES

	2003	2002
	£000	£000
Contingent liabilities in respect of guarantees given by the Company are as follows:		
Mortgage debenture and loans	81,435	82,228
Bank overdrafts	107,680	101,289
Bank overdrafts of joint ventures	–	750
	189,115	184,267

Notes to the Financial Statements Continued

28 OPERATING LEASE COMMITMENTS

	2003	2002
	£000	£000
Group		
Annual commitments in respect of operating leases on properties are as follows:		
Expiring after five years	667	647

29 DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption available under FRS 8, Related Party Disclosures, from disclosing transactions between related parties within the Group.

Fees paid in respect of contracts, which provided services in the ordinary course of business to the Group, and in which Directors have or had interests, were as follows:

	2003	2002
	£000	£000
Mr G A Cooke		
Director of ATIS Real Weatheralls Limited – Secondment of trainee	18	9

During the year there were loan transactions between the Group and joint ventures, as set out in note 14. Interest payable on these loans and management charges, payable by the joint ventures, are also set out in note 14.

30 PROFIT ON SALE OF INVESTMENTS

On 5 July 2002 the Group disposed of its fifty percent shareholding in Midland Commercial Properties Limited joint venture for £2.1million. No profit was made on the disposal.

Notes to the Financial Statements Continued

31 FIXED ASSET INVESTMENTS

At 31 March 2003

		Issued Share Capital	Percentage Held
Principal Subsidiary Companies		£	
Holding and Services			
Clay Group Limited:	£1 Ordinary Shares	4,032,000	100
Warner Estate Management Limited:	£1 Ordinary Shares	2	100
Warner Active Management Limited:	£1 Ordinary Shares	1	100
Warner Active Management No. 2 Limited:	£1 Ordinary Shares	1	100
Warner Active Management No. 3 Limited:	£1 Ordinary Shares	1	100
Property Investment			
Lancaster Holdings Limited:	£1 Ordinary Shares	100	100
	£1 Deferred Shares	100	100
Lancaster Investments Limited:	£1 Ordinary Shares	1,000	100
*Lancaster Investments (West Bromwich) Limited:	£1 Ordinary Shares	1	100
Vere Street Investments Limited:	£1 Ordinary Shares	2	100
Warner Investments Limited:	£1 Ordinary Shares	2	100
*Clay Investments Limited:	£1 Ordinary Shares	1	100
*Clay Property Limited:	£1 Ordinary Shares	100	100
*Hulburds (Sittingbourne) Limited:	£1 Ordinary Shares	395,000	100
*Mainscene Limited:	£1 Ordinary Shares	3,750,100	100
	£1 Deferred Shares	900	100
Property Trading			
Lotkeep Limited:	£1 Ordinary Shares	100	100
Other Investment			
Cardiff & Provincial Properties Limited:	25p Ordinary Shares	162,000	100
The principal subsidiary companies are all undertakings incorporated in the UK and registered in England.			
Limited Partnerships			
*Warner Regional Office Partnership			100
*Warner Alliance Partnership			100
Associate			
*Merivale Moore plc (Listed):	5p Ordinary Shares	970,992	26
Joint Ventures			
Property Investment			
*Agora Shopping Centres Limited:	£1 A Ordinary Shares	5,525,000	100
	£1 B Ordinary Shares	5,525,000	–
Property Trading			
Premierflair Limited:	£1 A Ordinary Shares	1	100
	£1 B Ordinary Shares	1	–
Warrington Industrial Investments Limited:	£1 A Ordinary Shares	1	100
	£1 B Ordinary Shares	1	–
Property Development			
Trade Centre Developments Limited:	£1 Ordinary Shares	4,000	50
Principal Other Investments			
*East Surrey Holdings plc (Listed):	5p Ordinary Shares	2,489,888	5
	£1 7.8% Cumulative Preference Shares	12,721,688	5
*Stonemartin PLC (Listed):	20p Ordinary Shares	22,314,284	11

* Held through a subsidiary company

Five Year Record

Analysis of Gross Rental Income

	Year to 31 March 2003	Year to 31 March 2002	Year to 31 March 2001	Year to 31 March 2000	18 months to 31 March 2001	Year ended 30 September 1999	Year ended 30 September 1998
By Property type	£000	£000	£000	£000	£000	£000	£000
Residential	–	–	2,104	2,243	3,233	2,205	2,182
Offices	22,535	13,801	11,808	5,616	15,350	4,270	4,791
Retail	8,527	8,333	9,835	7,898	13,934	7,049	5,997
Industrial	5,935	5,273	4,071	2,485	5,247	2,389	2,112
	36,997	27,407	27,818	18,242	37,764	15,913	15,082
By Activity							
Property Investments	33,230	24,686	25,139	15,536	33,431	13,940	12,953
Property Trading	3,767	2,721	2,679	2,706	4,333	1,973	2,129
	36,997	27,407	27,818	18,242	37,764	15,913	15,082

Analysis of Valuation of Completed Investment Properties

	31 March 2003	31 March 2002	31 March 2001	31 March 2000	31 March 2001	30 September 1999	30 September 1998
	£000	£000	£000	£000	£000	£000	£000
Residential	–	–	–	39,697	–	41,569	33,152
Offices	227,790	218,402	101,388	98,478	101,388	57,268	36,673
Retail	47,260	117,898	121,920	93,479	121,920	86,711	70,095
Industrial	58,771	66,886	66,876	37,992	66,876	18,099	13,782
	333,821	403,186	290,184	269,646	290,184	203,647	153,702

Key Profit and Loss Account and Balance Sheet Figures

	Year to 31 March 2003	Year to 31 March 2002	Year to 31 March 2001	Year to 31 March 2000	18 months to 31 March 2001	Year ended 30 September 1999	Year ended 30 September 1998
	£000	£000	£000	£000	£000	£000	£000
Operating Profit	32,545	25,268	24,587	15,137	34,299	12,987	11,740
Profit before interest and tax	34,911	27,954	40,759	23,783	52,591	21,252	18,792
Profit before tax							
Revenue	15,005	13,067	8,224	9,882	12,852	9,888	9,051
Capital	1,552	2,083	13,449	3,314	14,320	3,064	1,352
Total	16,557	15,150	21,673	13,196	27,172	12,952	10,403
Properties	379,865	456,560	321,658	343,858	321,658	261,117	178,492
Fixed assets	380,305	430,578	379,691	354,674	379,691	297,193	225,122
Pre FRS 19 shareholders' funds	223,499	215,720	211,294	172,504	211,294	–	–
FRS 19 adjustments	(4,328)	(4,837)	(3,681)	(3,171)	(3,681)	–	–
Equity shareholders' funds	219,171	210,883	207,613	169,333	207,613	176,884	153,838
	Year to 31 March 2003	Year to 31 March 2002	Year to 31 March 2001	Year to 31 March 2000	18 months to 31 March 2001	Year ended 30 September 1999	Year ended 30 September 1998
Adjusted earnings per share	p	p	p	p	p	p	p
Revenue	23.32	21.42	15.61	15.50	22.56	15.63	13.51
Capital	3.08	3.56	24.78	5.82	25.88	5.21	1.95
Total	26.40	24.98	40.39	21.32	48.44	20.84	15.46
Dividends per share	16.00	15.00	14.00	13.70	21.00	13.60	13.20
Adjusted net assets per share	439	423	404	324	404	346	301
Triple net assets per share	414	403	387	277	384	302	255

The Company changed its year end to 31 March in 2001. The third and fourth columns are pro forma 12 month results to 31 March 2001 and 2000.

Triple net assets per share is after adjustment of debt to fair value and potential deferred tax disclosed, but not provided in the financial statements.

Principal Assets Under Management

Property	Address	Description	Area sq m	Current Income
Over £50m				
Marketplace Shopping Centre (JV)	Bolton	Regional Shopping Centre and Market Hall.	29,748	£4,528,528
Over £35m				
Fishergate Shopping Centre (JV)	Preston	Regional Shopping Centre.	33,445	£3,590,506
Middleton Shopping Centre (JV)	Middleton, Manchester	Shopping Centre.	25,300	£2,998,694
Over £25m				
Surrey House & Lever House	Kingston-upon-Thames	Major office retail and leisure premises.	14,251	£1,873,817
Apex 1,2 & 3	95–99 Haymarket Terrace, Edinburgh	Landmark office block.	9,044	£2,003,150
The Port Arcades (JV)	Ellesmere Port, Cheshire	Shopping Centre currently being extended.	24,560	£2,149,170
Over £15m				
The Square Shopping Centre (JV)	Sale, Cheshire	Shopping Centre currently being extended and Acre House and Springfield House.	19,364	£1,589,446
Sapphire Court	550 Streetsbrook Road, Solihull	Multi-tenanted office development.	8,040	£1,508,300
West Gate	Colston Avenue, Bristol	Landmark single tenanted office building in the city centre.	8,447	£1,581,952
St Paul House	61–63 London Road, Redhill	Single tenanted modern office headquarters building.	4,555	£1,234,800
Glasgow	225–255 Bath Street	Multi-tenanted office building.	8,183	£1,188,686
Over £10m				
Yorkshire House	Greek Street, Leeds	Multi-tenanted city centre office building with popular bars/restaurants on the ground floor.	7,315	£997,302
Cavern Walks (JV)	Liverpool	Fashionable shopping centre with multi-storey offices over and including the world famous Cavern Club.	10,137	£675,946
Holland House	Oxford Road, Bournemouth	Prominently located office building let to the Government.	7,450	£810,070
£5–£10m				
The Millennium Centre	350 Basingstoke Road, Reading	Two office blocks located close to J11 of the M4.	4,659	£687,500
Beaufort House	Chertsey Street, Guildford	Single tenanted modern offices.	2,127	£500,250
Sovereign Gate	18–20 Kew Road, Richmond	Prominently located office premises.	2,106	£497,000
Abingdon	3–13 Eyston Way	Mid 80's industrial estate.	7,526	£482,260
London, W3	152 Dukes Road, Western Avenue	Car showroom, workshop and offices in a prominently located position.	5,655	£440,000
Lancaster House	31/31 High Street, Islington, N1	Prominently located retail and office building opposite the Angel Tube Station.	1,793	£403,100
Luton	1–16 Scott Road	New industrial estate and development site.	7,630	£511,642
Worthing	120 Ham Road	Retail let to MFI.	3,800	£406,750

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The Chairman's Statement and the Property Review can be found in the Annual Review Section.

Definitions

PERFORMANCE MEASURES

Dividend cover	The ratio of profit to dividends, calculated by dividing earnings per share by the dividend per share.
Earnings per share	A revenue related performance measure calculated by dividing the profit for the financial year by the weighted average number of shares in issue during the year.
Geared returns	The ungeared return on the Group's investment property assets adjusted for the impact of debt and after allocating a share of administrative expenses.
Net asset value per share	The most generally accepted performance measure within the Property Investment Sector arrived at by dividing shareholders' funds by the number of shares in issue at the end of the year.
Recurring revenue	This comprises rental income, investment income (including dividend from the associate) and income from the Agora Joint Venture less property outgoings, administration costs and net interest.

TREASURY INDICATORS

Interest cover	Total pre-tax profits before interest divided by net interest payable adjusted for capitalised interest.
Gearing	The ratio of net borrowings (borrowings less cash) to equity capital (shareholders' funds).

ACCOUNTING AND TAX TERMINOLOGY

ACT	As from 6 April 1999, Advance Corporation Tax was abolished. Unrelieved ACT also known as Surplus ACT can be carried forward and subject to certain restrictions, utilised against future profits of the Group.
Alliance	An alliance is a limited partnership or similar venture.
FRS	Financial Reporting Standards issued by the Accounting Standards Board having prescriptive effect.
SSAP	Statements of Standard Accounting Practice issued by the Accounting Standards Committee and adopted by the Accounting Standards Board its successor on its formation. These have mandatory effect. No further Statements are being issued and some have been superseded by the newer Financial Reporting Standards.
UITF	Account Abstracts issued by Urgent Issues Task Force usually with immediate effect.
Limited Partnership	Governed by the Partnership Act 1890, a form of partnership where the liability of partners who do not participate in the management of the partnership, may be limited to their capital contributions. One or more general partners are responsible for the management of the partnership and have unlimited liability for the partnership obligations. Both general and limited partners may themselves be limited companies.

PROPERTY RELATED TERMINOLOGY

Big eight	Glasgow, Edinburgh, Leeds, Manchester, Birmingham, Bristol, Cardiff and Newcastle – principal provincial office centres.
Contracted annualised rent	The current annual rent also known as the passing rent receivable from a property.
ERV	Estimated rental value – the real market rental value of a property as opposed to that currently being paid.
Open Market value	An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation assuming a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
Use Classes Order	For planning purposes, this system of categorisation groups uses into four different classes as follows:

Class A		Class B		Class C		Class D	
A1	Shops	B1	Office and light industrial uses	C1	Hotels	D1	Non-residential institutions
A2	Financial / professional services	B2	General industrial	C2	Residential institutions	D2	Assembly and leisure
A3	Food and drink	B8	Storage or distribution	C3	Dwelling houses		

CORPORATE GOVERNANCE

Combined Code	A set of principles and provisions on Corporate Governance issued in June 1998 derived by the Hampel Committee from their own report and those of earlier bodies reporting in this area – Cadbury and Greenbury. This was supplemented by the guidance on the wider aspects of internal control contained in the report of the Turnbull working Party in September 1999.
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Notice of Meeting

This notice is important and requires your immediate attention. If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser. If you have sold all your shares in the Company, you should pass this Annual Report to the person through whom the transaction was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Thirty-eighth Annual General Meeting of Warner Estate Holdings PLC will be held at Claridge's, Brook Street, London W1A 2JQ on 23 July 2003 at 12 noon for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following Ordinary Resolutions:

- 1 That the Reports of the Directors and Auditors and the Accounts for the year ended 31 March 2003 be adopted.
- 2 That a final dividend on the issued Ordinary shares of 8.25p per share in respect of the year ended 31 March 2003 be declared and be paid on 29 August 2003 to shareholders on the register at the close of business on 1 August 2003.
- 3 That Mr P C T Warner be re-elected a Director of the Company.
- 4 That Mr P W Collins be re-elected a Director of the Company.

Special Business

To consider and, if thought fit, pass the following resolution, special notice having been received of the intention to propose the resolution as an Ordinary Resolution:

- 5 That PricewaterhouseCoopers LLP be re-appointed Auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers) to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that the Directors be authorised to fix their remuneration.

To consider and, if thought fit, pass the following resolutions, of which that numbered 6 will be proposed as an Ordinary Resolution and those numbered 7 to 10 will be proposed as Special Resolutions:

- 6 That the Directors' Remuneration Report for the year ended 31 March 2003 be approved.
- 7 That:
 - A the Company be and is hereby generally and unconditionally authorised to purchase on the London Stock Exchange (by way of market purchases as defined in the Companies Act 1985 Section 163(3)) not more than 7,637,435 Ordinary shares of 5p each at a price not exceeding five per cent above the average of the middle market quotations derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day of purchase nor less than 5p per share for a period expiring (unless previously renewed, varied or revoked by the Company in General Meeting) 15 months after the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs;
 - B the Company may, before the expiry of this authority, make a contract to purchase Ordinary shares under this authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary shares in pursuance of any such contract; and
 - C the authority conferred by paragraph A of this resolution shall replace any existing authority given prior to the date hereof and any such existing authority is hereby revoked.
- 8 That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) of the Company up to an aggregate nominal amount of £452,490.15 for a period expiring (unless previously renewed, varied or revoked by the Company in General Meeting) 15 months after the passing of this resolution or on the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, save that the Company may prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired

Notice of Meeting Continued

9 That subject to the passing of Resolution 8 set out in the notice of this meeting:

the Directors be and are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority conferred by the said Resolution 8 as if Section 89(1) of the Act did not apply to such allotment provided that this power:

- (I) shall expire 15 months after the passing of this resolution or on the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, save that the Company may prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred by this resolution had not expired, and
- (II) shall be limited to:
 - (a) any allotment of equity securities in connection with a rights issue to holders of equity securities in proportion (as nearly as may be) to their then holdings subject only to the Directors having a right to make such exclusions or other arrangements in connection with such rights issue as they deem necessary or expedient:
 - (i) to deal with equity securities representing fractional entitlements and
 - (ii) to deal with legal or practical problems arising in any overseas territory or the requirements of any regulatory body or any stock exchange, or any other matter whatsoever; and
 - (b) any other allotments of equity securities for cash up to a maximum nominal amount of £127,375.

10 That the Articles of Association of the Company be altered by substituting for the existing article 46(i), the following:

"(i) the receipt and consideration of the annual accounts, the directors' report, the directors' remuneration report and the auditors' report on those accounts and on the auditable part of the directors' remuneration report;"

By Order of the Board

V B Vaghela

Secretary
Nations House
103 Wigmore Street
London W1U 1AE
23 June 2003

Notes

1. A member entitled to attend and vote at the Meeting 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. Completion of a form of proxy does not prevent a member from attending and voting at the Meeting in person.
2. Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at close of business on 21 July 2003 shall be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries on the register of members after close of business on 21 July 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. To be valid, forms of proxy, completed in accordance with the instructions printed on them, must be lodged with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for holding the Meeting.
4. Copies of the directors' service contracts are available for inspection at the Company's registered office at Nations House, 103 Wigmore Street, London W1U 1AE during normal business hours on weekdays (excluding Saturdays and public holidays) and will be available for inspection for a least 15 minutes prior to, and during, the Meeting. The register of directors' interests kept by the Company under Companies Act 1985 Section 325 will be available for inspection at the Meeting.

Financial Calendar

Announcement of Results and Dividends

Half year	December
Full year	June

Dividends Paid

Interim	February
Final	August

Annual Report Posted to Shareholders June

Annual General Meeting July

Capital Gains Tax

The market values of the Company's shares and loan stock for capital gains tax purposes were as follows:

On 6 April 1965

Ordinary shares adjusted for sub-division and the following capitalisation issue

January 1967 – Ordinary shares

January 1972 – Ordinary shares

July 1979 – 10% Cumulative Preference shares of £1 6.093p

£1 of 6½% Unsecured Loan Stock 1991/1996 68.75p

The above-stated values of the Ordinary shares require adjustment where Ordinary shareholders exercised their options to receive scrip dividends in August 1974 and/or January 1975; in such cases shareholders are recommended to consult their professional advisers as to the adjustment necessary.

On 31 March 1982

Ordinary shares 60.60p

£1 of 6½% Unsecured Loan Stock 1991/1996 49.25p

WARNER ESTATE

Warner Estate Holdings PLC

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