

Financial Calendar

Announcement of Results and Dividends

Half year	December
Full year	June

Dividends Paid

Interim	February
Final	September

Annual Report Posted to Shareholders

July

Annual General Meeting

September

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

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Finance Review

This review explains the background behind the year's financial results, during a period of continued rapid evolution, and highlights the reasons for the strong underlying performance of the Group.

The Group's strategy, which is reflected in these results, is to grow its recurring profitability through active property management and the building of managed property funds from which the Group derives management fee income.

In the last financial year the impact of this strategy has seen the creation of three new funds with property under management of £249m and a further £45m expansion in the Agora fund to bring our total property funds within joint ventures to £542m. This activity included the sale of the Regional Office portfolio into the Skipper joint venture in July 2003 which had the effect of reducing recurring profitability in the short-term as advised at the interim stage. The result of this, together with the impact of selling the Group's owned shopping centres into the Agora fund that was set up in March 2003, was that in the first half of this year recurring profits declined. However, over the year as a whole they showed a small increase to £14.2m (March 2003: £14.1m). It is not inconceivable that such dips will reoccur as the Group continues to build the business to enhance long-term recurring profitability that itself supports dividend growth for Shareholders.

The results incorporate the effect of the Group's early adoption of UITF 37 (Purchases and Sales of Own Shares) and UITF 38 (Accounting for ESOP Trusts) which has the effect of treating shares owned by the Group in itself as a reduction in shareholders' funds rather than as an asset, thereby reducing shareholders' funds this year by £1.7m and last year's restated numbers by a similar £1.7m. The effect of this on the Group's reported earnings and net asset value per share is of no material effect.

RETURN ON CAPITAL

The Group measures its own performance, and that of Management, on a total return which incorporates both profit and net revaluation achieved on shareholder's triple net asset funds. This equates closely to the returns shareholders actually achieve, namely dividends, which are within Management's control, and share price movement which can be influenced by external factors.

	2004	2003 restated
£m	£m	
Profit before tax	15.70	16.55
Tax (pre FRS 19)	(1.75)	(3.28)
	13.95	13.27
Gains taken through reserves	24.91	3.73
Deferred tax arising on unrealised (gains)/losses	(5.69)	1.52
Change in the fair value of the cost of Group debt	6.70	(4.95)
Total return for the year	39.87	13.57
Shareholders triple net asset funds at start of year	209.1	203.9
Return on shareholders triple net funds	19.1%	6.6%
Of which		
– post tax profit	6.6%	6.5%
– net property revaluation	9.2%	2.3%
– net increase in value of investments	0.1%	0.2%
– change in fair value of debt	3.2%	(2.4%)

In 2004 our return on shareholders' triple net asset funds was 19.1% (2003: 6.6%) of which two thirds arose from net revaluation gains and one third from post tax profit. The large contribution from unrealised gains comes from a combination of a significant reduction in yields, particularly within the sub-sectors in which the Group and its joint ventures are invested, a valuation uplift of £5.9m for stamp duty deprived area status and the fixing of £280m of joint venture debt at interest rates of between 4.1 and 4.3%.

This is a significant change from last year when profits accounted for nearly all the total return (see table 1).

RESULTS

The headline numbers are that overall profitability declined to £15.7m from £16.6m due to a fall in non-recurring profits to £1.5m from £2.5m last year. This movement is analysed in table 2 below.

	2004	2004	2003	2003	Change
	£m	£m	£m	£m	£m
Recurring profit		14.2		14.1	0.1
Non-recurring profit					
Non-recurring revenue items		(0.2)		0.2	(0.4)
Trading (loss)/profit		(0.1)		0.5	(0.6)
Property trading	15.5		8.1		
Cost of sales	(15.4)		(7.3)		
Write down of trading stock	(0.2)		(0.3)		
Capital profits – own		1.6		1.2	0.4
– share of associate		–		0.4	(0.4)
Associate		–		0.1	(0.1)
Operating profit	–		1.4		
Interest	–		(1.0)		
Dividend received	–		(0.3)		
Joint ventures – trading profits		0.2		0.1	0.1
Profit on ordinary activities before tax		15.7		16.6	(0.9)

As can be seen the disposal of the associate which made no contribution in the current year, the proceeds of which were only received at the end of August 2003, had a material impact on non-recurring profits as did the sharp decline in trading profits. However, the most notable changes to these results lie within recurring profits where the contribution from joint ventures was £4.9m compared to £1.3m last year. Table 3 shows the key elements to recurring profitability.

The £2.8m reduction in recurring profit from owned property largely reflects the impact of the sale of three shopping centres into the Agora joint venture in March 2003 which contributed recurring profits of £0.2m in 2003 together with the disposal of the Regional Office portfolio into the Skipper joint venture in July 2003 which contributed recurring profits of £2.9m in 2003 but only £0.7m in the first four months of the current year. The converse of this is the large rise in the contribution from joint ventures with the Agora fund producing a full year's contribution of £1.7m, Skipper an eight month contribution of £2.3m and the Radial Distribution Warehouse Fund (Fairway Industrial Limited) and Bareway Industrial Fund (Bareway Industrial Properties Limited) producing a seven month contribution of £1.3m and £0.3m respectively, before management costs of £0.7m. The latter was treated as a subsidiary at the interims as the Group exercised full control at that time but is now accounted for as a joint venture as control is now undertaken jointly.

Whilst the returns that the Group achieves on the assets held in joint ventures is lower than would have been obtained had these assets been 100% owned, it would not have been possible for the Group to have owned these assets without additional investment and gearing. For an investment of £89m the Group has a 50% share in assets of £561m compared to £162m of equity invested in £375m of on balance sheet assets. The result is an overall improvement in the Group's recurring profitability and this is before any long-term performance gains that the Group might achieve if certain performance targets are met in the joint ventures. It also leaves the Group with a gearing level of 69% providing the capacity to continue the expansion of the Group.

Recurring profits – Table 3	2004	2004	2003	2003	Change
	£m	£m	£m	£m	£m
Owned property		8.8		11.6	(2.8)
Rental income	27.5		37.0		
Property outgoings	(5.6)		(6.8)		
Administration expenses	(1.7)		(2.2)		
Non-recurring profits/(costs)	0.2		(0.2)		
Group interest	(11.6)		(16.2)		
Dividend from associate		–		0.4	(0.4)
Investment income		0.5		0.8	(0.3)
Joint ventures		4.9		1.3	3.6
Income from joint ventures	4.4		1.3		
Management fees	1.4		0.4		
Management costs	(0.7)		(0.1)		
Interest receivable from jv's	3.7		1.0		
Share of profits from joint ventures	0.5		–		
Share of operating profit	13.7		2.4		
Share of net interest	(12.9)		(2.3)		
Less: non-recurring trading profits	(0.3)		(0.1)		
		14.2		14.1	0.1

Within profits there have also been two other significant changes:

Net interest is shown as £20.83m (2003: £18.35m) however the Group's net interest has almost halved at £7.99m (2003: £15.10m) the balance being in respect of joint ventures which except for £0.2m is all in respect of non-recourse. Significantly this means that net interest is covered 2.8 times by recurring pre-interest profits compared to 1.9 times last year.

The tax charge is £3.2m (2003: £2.7m) however if the FRS 19 adjustments are excluded, which then more closely represents the actual tax payable, the comparator numbers are £1.8m (2003: £3.2m). This reduction mainly reflects the over provision for tax in previous years' accounts. (See table 4).

Table 4	2004	2003
	£m	£m
Profit on ordinary activities	15.7	16.6
Tax @ 30%	4.7	5.0
Use of losses	(0.5)	(0.5)
Use of allowances		
– Capital and industrial building	(1.0)	(1.5)
– Other	(0.1)	–
Release of prior year's provision	(1.3)	0.2
Pre FRS 19 deferred tax provision	1.8	3.2
FRS 19 deferred tax net charge/(release)	1.4	(0.5)
Total tax charge in the accounts	3.2	2.7

Basic earnings per share were 24.84p (2003: 27.41p). Total adjusted earnings per share were virtually the same as last year at 26.31p (2003: 26.40p) of which 24.54p (2003: 23.32p) is attributable to revenue and 1.77p (2003: 3.08p) to capital profits. The 5% improvement in revenue earnings is the result of a 3% increase in recurring revenue earnings to 22.93p (2003: 22.18p) and a low tax charge, partially offset by a reduction in trading profits and the loss of associate income. Capital earnings were marginally higher than last year.

CASH FLOW

As a main statement in the accounts this is becoming of increasing importance showing as it does the actual operating cash flows of the business. Even so the inclusion of some of the Group's property as trading stock rather than fixed assets does mean that cash generated by an essentially non-recurring activity is included within operating cash flow. If the operating cash flow is adjusted to remove this effect the Group this year generated a net inflow from operating activities of £27.2m (2003: £27.4m). This is the cash generated without property acquisitions and disposals to pay interest, tax and dividends as well as to help fund the Group's expansion.

The other major inflows that created the net inflow in the year of £39.5m arose mainly as a result of the receipts of £110m from the disposal of the regional offices into the Skipper joint venture and of £8.9m received from the sale of the Group's shareholding in the associate Merivale Moore. This was offset by investments in joint ventures of £56.5m and property purchases of £59.7m which were partly financed by additional long-term debt of £22.8m.

Since the year end there has been an outflow of £1m relating to further investments in joint ventures.

BALANCE SHEET

The Group's net worth has increased substantially this year with adjusted shareholders' funds increasing by £29.5m to £251m, an increase of 13.3% after an £8.6m dividend payout, with adjusted NAV per share increasing to 498p (2003 restated: 440p). Of this overall increase of £38.1m just over a third came from profits with revaluation uplifts on our owned portfolio accounting for £13.5m, our share of joint ventures £8.6m and our investments £2.8m. It should also be noted that within these property revaluation uplifts some £5.9m was attributable to stamp duty disadvantaged area status of which £2.3m was in respect of owned properties and the balance of £3.6m in respect of our share of the joint venture surplus.

As with the Profit and Loss account the nature of the Group's balance sheet has changed substantially in its make up this year with investments in joint ventures now accounting for 19% of gross assets compared to 5.5% last year. This is reflected in the change in overall portfolio split between directly held property and the Group's share of joint venture properties as shown in table 5.

Table 5	Share of			Total under	
	Directly held	Joint ventures	Associate	Total	management
	£m	£m	£m	£m	£m
Investment property	333.8	111.6	20.1	465.5	556.3
Trading property	46.1	2.3	5.2	53.6	46.1
At March 2003	379.9	113.9	25.3	519.1	602.4
Investment property:					
Externally valued	259.3	181.2	–	440.5	621.7
Directors' valuation	58.1	89.7	–	147.8	237.6
Investment property	317.4	270.9	–	588.3	859.3
Trading property	17.5	–	–	17.5	17.5
At March 2004	334.9	270.9	–	605.8	876.8
Movement in year					
Revaluation	13.5	8.6	–	22.1	30.7
(Disposals)/additions to joint ventures:					
Investment property	(83.0)	54.8	–	(28.2)	26.6
Trading property	(26.6)	(2.3)	–	(28.9)	(26.6)
Other additions/(disposals)	51.1	95.9	(25.3)	121.7	243.7
Total	(45.0)	157.0	(25.3)	86.7	274.4

Triple net asset value per share rose to 474.7p from 414.8p (restated) after a dividend payout of 17p, an increase of 15%. The reason for this improvement exceeding the 12.6% at the gross level being the impact of the fair value adjustment to debt where

rising interest rates have reduced the negative impact of the Group's high interest long-term debentures and created positive value in the swaps taken out against non-recourse debt in the joint ventures. The calculation of triple net asset value is shown in table 6.

Table 6	2004	2004	2003 restated	2003 restated
	£m	Pence per share	£m	Pence per share
Shareholders' funds at 31 March	246.3	487.6	217.6	431.3
Add back FRS 19 adjustment, including that in joint ventures (notes 14 and 18)	5.1	10.2	4.3	8.6
Adjusted shareholders' funds	251.4	497.8	221.9	439.9
Less potential deferred tax (note 18)	(6.2)	(12.2)	(0.6)	(0.9)
Less fair value adjustment for debt, net of tax	(5.5)	(10.9)	(12.2)	(24.2)
Triple net asset value	239.7	474.7	209.1	414.8

BORROWINGS

The net debt of the Group at 31 March 2004 was £174.6m (2003: £192.8m) including £56.8m of non-recourse debt (2003: £57.1m) in addition the Group's share of debt in the joint ventures was £235.7m (2003: £109.8m) of which £7.2m was recourse debt (none at 2003). The movement of debt on balance sheet and in the joint ventures mainly reflects the sale of properties into the Skipper regional office fund, the disposal of the stake in the associate Merivale Moore offset by the £34m purchase of industrial property and £15m office purchase onto the Group balance sheet together with increases in the Group's share in the joint ventures' debt. This was due to the purchase by Agora of the Birkenhead shopping centre and the establishment of the Regional Office, Distribution and Industrial joint ventures that took place in the first half of the year. Table 7 shows the split of this debt compared to the position a year ago:

The substantial increase in our adjusted shareholders' funds and the reduction in on balance sheet debt shows gearing falling from 86% to 69% with a corresponding decrease in recourse gearing from 61% to 47%.

The interest rate exposure of the Group's debt is that £62m is fixed and the balance is covered by swaps or caps. However the rates on these derivatives are such that the Group does have some exposure to upward movements in interest rates that would have an impact on recurring profitability although with £134m of swaps and caps the Group is protected against a significant shift in interest rates. With respect to the Group's share of £236m of net debt in the joint ventures £140m is swapped at rates between 4.1% and 4.3% the balance of £96m is currently not fixed.

As at 31 March the Group had undrawn borrowing facilities of £39m.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

As previously advised all quoted companies in the United Kingdom will be required to adopt IFRS for accounting periods ending on or after 31 December 2005. We will continue to apply UK Accounting Standards up to and including our year ending 31 March 2005, but will adopt IFRS for the year to 31 March 2006.

The new IFRS's have yet to be completely finalised so we are not yet able to provide information about the impact of these changes on our accounts, which are likely to be material, but will do so as soon as practicable.

Whilst many of the new IFRS are similar to existing UK standards, there will be significant changes some of which will impact particularly on property companies such as the treatment of leasehold property and capital gains tax. Others such as the treatment of swaps and caps will affect companies generally. What can be said is that company results will be more volatile and it will be more difficult to establish underlying business trends from the numbers themselves, although the cash flow statement will be largely unaffected and continue to provide a good picture of what is actually happening in the business.

Peter Collins
Finance Director

Table 7	On balance sheet	Share of joint ventures	Total
	£m	£m	£m
Net short-term debt	19.5	45.1	64.6
Long-term debt	155.1	190.6	345.7
Total net debt at 31 March 2004	174.6	235.7	410.3
Of which:			
Total net recourse debt	117.8	7.2	125.0
Long-term non-recourse debt	56.8	228.5	285.3
Gearing (on adjusted shareholders' funds)	69%		163%
Recourse gearing	47%		50%
Total debt at 31 March 2003	192.8	106.5	299.3
Gearing (on adjusted shareholders' funds)	86%		134%
Recourse gearing	61%		60%

Board of Directors and Corporate Information

PRESIDENT

Sir Henry Warner Bt.

EXECUTIVE DIRECTORS

P C T Warner (Chairman)

Age 53, joined the Board in May 1979 and was appointed Chairman in March 1993. A barrister, a Non-executive Director of Stonemartin PLC and a Director of several private companies. Chairman of the Nominations Committee.

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

Age 55, joined the Board in May 1998 and was previously Group Finance Director and secretary of Jourdan plc.

R Moore, FRICS (Property)

Age 58, 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 63, 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 55, joined the Board in July 1993, Chairman of ATIS Real Weatheralls Limited.

J A Fooks, JP, MA, FCA*‡

Age 70, joined the Board in September 1996, a Director of several private companies.

R H Warner, ACA*

Age 47, 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, MBA, MCMI, ACA (Finance)

K R Meade, BSc, MRICS (Property)

M J Stevens, BSc, FRICS (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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54 Lombard Street
London EC3V 9EX

The Royal Bank of Scotland plc
1 Exchange Flags
Liverpool L2 3XN

CORPORATE SOLICITORS

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

REGISTERED AUDITORS

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

STOCKBROKERS

HSBC Bank PLC
8 Canada Square
London E14 5HQ

VALUERS

Cushman & Wakefield Healey & Baker
43/45 Portman Square
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 2004.

BUSINESS OF THE GROUP

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

The Annual Review and 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 21.

An interim dividend of 8.25p per share was paid on 27 February 2004 and it is proposed to pay a final dividend of 8.75p per share, making a total of 17.0p per share for the year ended 31 March 2004. If approved by the Annual General Meeting to be held on 9 September 2004, the proposed dividend will be paid on 15 September 2004.

PROPERTIES

Purchases and additions to investment properties during the year totalled £60m.

Investment properties with book values at the date of sale of £90m 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 £317.5m 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 12 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 and the resultant surplus has been transferred to revaluation reserve.

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year totalled £19,600 (2003: £16,700). 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 6. Mr J A Fooks has indicated his intention to retire at the conclusion of the Annual General Meeting on 9 September 2004.

In accordance with the Articles of Association and the requirements of the Combined Code, Mr W R Broderick, Mr G A Cooke and Mr R Moore retire by rotation and offer themselves for re-election. Neither Mr W R Broderick or Mr G A Cooke have a service contract with the Company or any of its subsidiaries. Mr R Moore 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 2004 were as follows:

	Ordinary shares			
	Beneficial		Non-beneficial†	
	March 2004	March 2003	March 2004	March 2003
P C T Warner	894,875	884,829	9,570,680	9,570,680
R H Warner	1,090,000	1,090,000	5,794,535	5,794,535
J A Fooks	–	–	20,400	32,900
P W Collins	12,901	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. Since the year end, 105,000 shares that formed the notified interests of Sir Henry Warner Bt. were transferred to the beneficiaries of the Trusts within which they were held. Therefore, the non-beneficial interests of Mr P C T Warner were reduced to 9,465,680 shares and the non-beneficial interests of Mr R H Warner were reduced to 5,689,535 shares.

The interests of the Directors in the shares of the Company through the Company's share schemes at 31 March 2004 were as follows:

	Share options		WEHLTIP		WEHPSS		AESOP	
	March 2004	March 2003	March 2004	March 2003	March 2004	March 2003	March 2004	March 2003
P C T Warner	191,596	131,730	–	8,204	1,024	2,866	3,830	2,270
P W Collins	145,013	97,938	–	8,382	1,067	2,962	4,068	2,365
R Moore	154,342	102,640	–	–	–	–	4,068	2,365

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 12 to 16.

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 2004 and 8 June 2004 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 2004 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 one (2003: 29).

SUBSTANTIAL INTERESTS

At 8 June 2004 the Company had been notified of the following interests in 3% or more of the Ordinary share capital:

	No. of shares held	% held
Trefick Limited	12,818,026	25.15
Sir Henry Warner Bt.	9,465,680	18.58
The AXA S.A. Group	3,057,500	6.00
Fooks Property Company Limited	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.

4,573 Ordinary shares were issued through the exercise of share options during the year. The Company does not currently hold any treasury shares.

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 7,638,120 shares, representing 14.99% of the Company's issued Ordinary share capital, at a price not exceeding 5% 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 8 June 2004 was 948,676 representing approximately 1.86% of the issued share capital at that date (and 2.19% if the authority to purchase shares under this resolution 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 5% 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 9,045,230 Ordinary shares representing 17.75% of the issued share capital and the power to make allotments for cash will be limited to 2,547,738 Ordinary shares, representing 5% 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 resolution. There is no present intention by the Directors to exercise any of these powers.

The Directors consider it desirable to make a number of minor amendments to the Articles of Association. These amendments will increase the maximum fee payable to a Director to £75,000 per annum, make certain amendments to allow the Company to purchase and hold shares in treasury pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") and insert a provision for a President. Therefore, a Special Resolution is being proposed as special business at the Annual General Meeting to amend the Articles of Association of the Company.

The Articles of Association currently limit the Directors' fees to £30,000 per annum and the fees of the Non-executive Directors are close to that figure, therefore, the Directors believe it prudent to increase the amount. Although the Executive Directors, who determine the fees of the Non-executive Directors, do not expect to have to increase the fees to the level of the proposed £75,000 in the next few years, they envisage a time when this may be necessary to recruit the calibre of appointees prepared to act in the increasing litigative environment following the well publicised worldwide corporate failures.

The Regulations allow companies to hold repurchased shares as treasury shares rather than cancelling them. Treasury shares can subsequently be cancelled, sold for cash or used to satisfy share options and share awards under employee share schemes. The proposed minor amendments to the Articles of Association will allow the Company to purchase and hold shares in treasury.

The provision for a President of the Company was erroneously deleted when the Company adopted new Articles of Association on 3 February 2000. Although Sir Henry Warner Bt. has been deemed to be President of the Company since that date, he has not received any remuneration in respect of the position as President and will not do so in the future.

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 38% (2003: 39%) of the Group's borrowings were due to mature in more than ten years, which represented 45% (2003: 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

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
8 June 2004

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.

A copy of the Annual Report is placed on the Warner Estate Holdings PLC website. The maintenance and integrity of the website is the responsibility of the Directors and the work carried out by the Auditors does not involve consideration of these matters.

Accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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) continues to grow in importance. In 2003, 132 of the top 250 UK companies produced some form of CSR report (Retail Week 9 April 2004). A more revealing statistic comes from research undertaken by MORI which found "38% of consumers saying that a company's CSR record is a factor in their purchasing decisions".

The Company has had a Health, Safety and Environmental Policy in place for a number of years. This is to ensure, so far as is reasonably practicable, the health, safety and welfare of its employees while they are at work and of others who may be affected by their undertakings, and to comply with the Health and Safety at Work etc. Act 1974 and all other allied relevant legislation as appropriate. In order to achieve compliance with that statement of policy, the Company has set the following objectives:

- To maintain high standards for health, safety and the protection of the environment at its premises;
- To identify risks and set in place programmes to remove or reduce these risks;
- To ensure that these standards are communicated to all employees, contract staff, temporary workers and members of the public, as appropriate;
- To ensure that all personnel are given the necessary information, instruction and training to enable them to work in a safe manner;
- To ensure the dissemination and discussion of relevant information on safety, health and environmental issues;
- To develop promotional campaigns and to encourage safety, health and environmental awareness;
- To monitor its operations at all sites and places of work where practicable.

The Director responsible for health, safety and environmental issues is Mr R Moore.

We continue to make effective strides in addressing CSR and the Company is a member of the FTSE4Good Index Series which identifies companies that are working towards environmental sustainability, developing positive relationships with stakeholders and upholding and supporting universal human rights. A review of the four key areas, identified last year, follows.

HEALTH AND SAFETY

In addition to our normal working practices, we instigated an external health and safety audit at a selection of key properties, undertaken on our behalf by Marsh Ltd, our advisors on risk management, who reviewed all our procedures. Top of the agenda were the shopping centres and the audit findings are currently being prepared, from which we shall learn in more detail about areas which need improvement. A working party of management and the shopping centre managers already exists to ensure best practices are shared throughout the Group. An example of this is the installation of defibrillators in our centres, following on from a recently published article in "Centre News", an internal newsletter, from our Deputy Centre Manager at Port Arcades, Kerry Cryer. We intend to expand the audit in future years to review procedures across the whole of our portfolio.

ENVIRONMENTAL AWARENESS

It is sometimes surprising how many of our working practices have an impact on environmental issues. This is particularly relevant where major projects are concerned. For example, at both Middleton and Preston we have worked with the local authorities in not only the design of our own centres but also preparation of new transport schemes, which has involved us in playing a part in the preparation of the environmental audit used before planning consent was gained.

Building design is one aspect where we can take a lead. It is essential that external consultants buy in to the same values as we do. The Environmental Policy used by Craig Foster Associates, the architects at Port Arcades, states their aims as being "to design an environmentally conscious building which is low maintenance, preserves the natural environment, is energy efficient, reduces running costs and is responsive to change". Choosing, not only the right architect but also a team which subscribes to these aims, demonstrates our commitment to the environment.

Once a project is completed, we share our knowledge with our tenants both large and small to bring them into the process. Simple examples are the purchase of energy efficient light bulbs and the orderly disposal of waste.

EMPLOYEES

Our view is that an organisation which values its employees is an organisation of value. We subscribe to life long learning and actively encourage staff to come forward with programmes for self improvement. Following this maxim we have supported key personnel in courses at both the London Business School and Ashridge, experiences which bring benefit to both the individual and the Group.

We are also working with external consultants to help us in bettering our communication skills. Building bridges with other companies, employees and communities is an essential skill.

COMMUNITY CONCERN

Every one of our buildings means we are to a greater or lesser degree part of someone else's community. In the shopping centres we support local activities by way of sponsorship, for example the talent contest we held recently at Bolton Market Place. On a national basis we have supported, inter alia, the Variety Club of Great Britain, the Brain & Spine Foundation, CRASH and the National Playbus Association. Our staff help us to bridge the link to the community by listening to their concerns and considering how we can help.

Warner Estate pays more than lip service to CSR as shown by tangible examples of the work which goes on daily in key areas.

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.

ADVICE

The Committee seeks advice from independent external advisors when required. The Company's legal advisors, Clifford Chance LLP, provide advice to the Committee on share scheme matters. The Company Secretary has also provided administrative support and information to the Committee.

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. Mr P W Collins' service contract is dated 23 February 1998 and Mr R Moore's service contract is dated 18 May 2000.

In the event of early termination of an Executive Director's contract, the Committee determines the amount of compensation (if any) to be paid by reference to the circumstances of the case at the time. It is the Committee's policy not to reward poor performance and to take account of the Executive Director's duty to mitigate loss.

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.

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 one 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 six 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 331,219 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 Share Option Scheme will cease on 23 March 2005 and the Committee is currently reviewing the incentive arrangements with the possibility of introducing a new share option scheme. Otherwise, the WEHLTIP may be used again.

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 also 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 2004 financial year, an appropriation of 10% of salary has been agreed at a cost of £140,106 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

In accordance with the Companies Act 1985 the following sections of the Directors' Remuneration Report, up to and including 'Directors' Pension Entitlements' are auditable.

DIRECTORS' INTERESTS IN SHARE SCHEMES

Directors with options to subscribe for Ordinary 5p shares, details of which are given in note 20 on page 42, were as follows:

	Date of grant	1 April 2003	Options granted	Options exercised	Options lapsed	31 March 2004	Exercise price	Date from which exercisable	Expiry date
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
	27/06/2003	–	59,866	–	–	59,866	367.5p	27/06/2006	26/06/2013
		131,730	59,866	–	–	191,596			

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
	27/06/2003	–	47,075	–	–	47,075	367.5p	27/06/2006	26/06/2013
		97,938	47,075	–	–	145,013			

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
	27/06/2003	–	51,702	–	–	51,702	367.5p	27/06/2006	26/06/2013
		102,640	51,702	–	–	154,342			

The middle market price of the shares at 31 March 2004 was 477.5p (2003: 330p) and during the year ranged from between 327.5p and 477.5p.

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

	Award date	No. of shares at 1 April 2003	Shares awarded	Shares lapsed	Shares vested	No. of shares at 31 March 2004	Value vested £	Vesting date
P C T Warner	January 2000	8,204	–	–	8,204	–	30,067	June 2003
P W Collins	January 2000	8,382	–	–	8,382	–	30,720	June 2003

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

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

Awarded	P C T Warner†	P W Collins††	Vesting date
2 July 2001	1,024	1,067	2 July 2004

†1,842 shares awarded on 22 March 2001 were vested in P C T Warner on 22 March 2004.

†1,895 shares awarded on 22 March 2001 were vested in P W Collins on 22 March 2004.

Directors' Remuneration Report continued

DIRECTORS' INTERESTS IN SHARE SCHEMES CONTINUED

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 Trustee of the AESOP, Capita IRG Trustees Limited, on behalf of Directors as follows:

	Total number of AESOP shares at 1 April 2003	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 2004
P C T Warner	2,270	371	371	818	–	3,830
P W Collins	2,365	371	371	818	143	4,068
R Moore	2,365	371	371	818	143	4,068

DIRECTORS' REMUNERATION

Directors' remuneration for the year ended 31 March 2004 was as follows:

	2004	2003
	£000	£000
Emoluments	1,184	1,265
Pension contributions to defined benefit scheme	28	27
Pension contributions to money purchase schemes	65	46
	1,277	1,338

DIRECTORS' EMOLUMENTS

Director	Salary and fees	Benefits	Bonus ^(d)	AESOP	Total emoluments excluding pensions	Total emoluments excluding pensions	Pension contributions ^(b)	Pension contributions ^(b)
					2004	2003	2004	2003
	£000	£000	£000	£000	£000	£000	£000	£000
Executive^(a)								
P C T Warner	220	21	125	5	371	412	30	29
P W Collins	173	19	150	5	347	359	28	27
R Moore	190	19	150	5	364	398	35	17
Non-executive^(a)								
W R Broderick	27	–	–	–	27	25	–	–
G A Cooke	24	–	–	–	24	23	–	–
J A Fooks	24	–	–	–	24	23	–	–
R H Warner	27	–	–	–	27	25	–	–
	685	59	425	15	1,184	1,265	93	73

(a) Fees for each of the Non-executive Directors were increased from £25,008 p.a. to £27,000 p.a. for Committee Chairmen and from £23,004 p.a. to £24,504 p.a. for the other Non-executives with effect from 1 April 2003. The rate with effect from 1 April 2004 is £28,500 p.a. for the Committee Chairmen and £25,500 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 £99,000 was paid by the Company. The contributions in respect of Mr P C T Warner and Mr R Moore are in respect of private money purchase schemes. Mr P C T Warner's contribution in the year ended 31 March 2004 represented 30% of annual salary, capped at the Inland Revenue maximum salary of £99,000. Mr R Moore's contribution in the year ended 31 March 2004 represented 35% of annual salary capped at the Inland Revenue maximum salary of £99,000.

(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 29 and 30. 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.

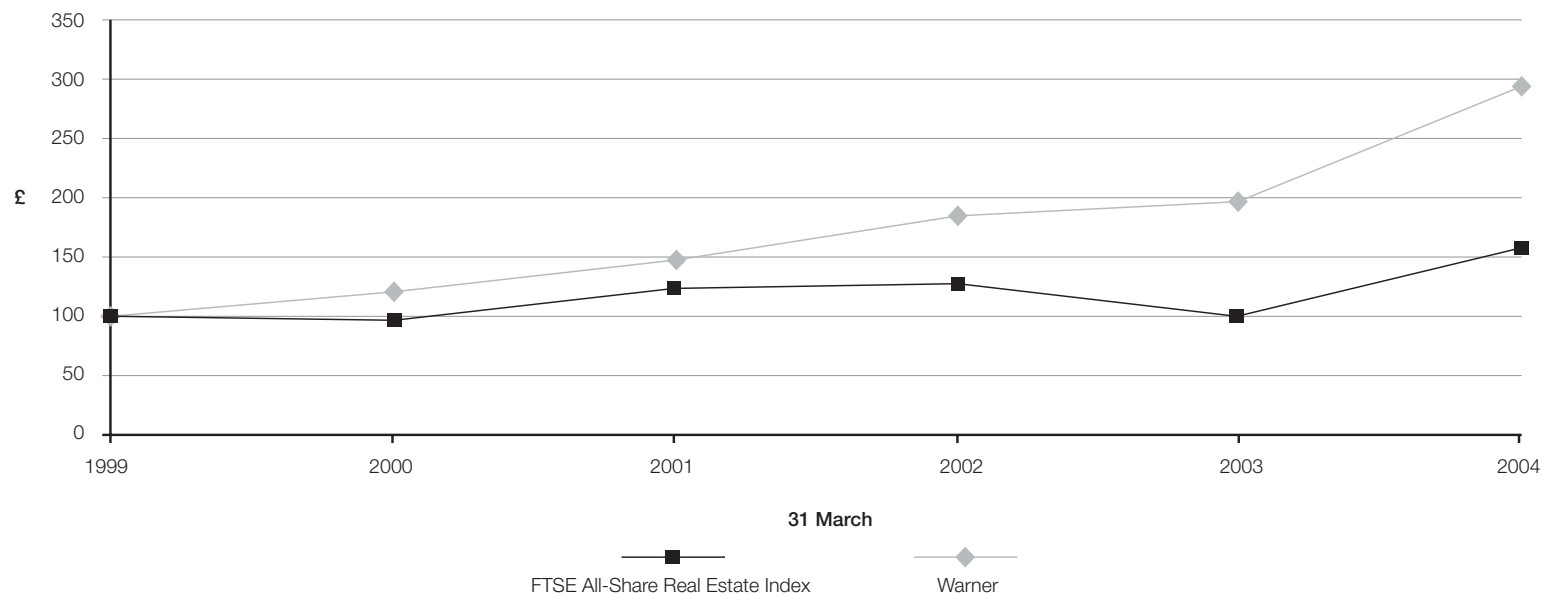
The pension for each Director shown in the table below is that which would be paid annually on retirement at age 60 based on service to the end of the year. The increase in accrued pension below excludes the effect of inflation.

	At 31 March 2004		Accrued pension	Accrued pension	Increase in accrued pension	Transfer value	Transfer value
	Age	Length of service	2004	2003		2004	2003
			£	£	£	£	£
P W Collins	55	six years	9,763	7,965	1,798	123,833	96,461

PERFORMANCE GRAPH

The graph displayed below shows the performance of the Company, measured by total shareholder return relative to the total return of the FTSE All-Share Real Estate Index. Performance is measured by Total Return for Shareholders and the Index as represented by share price growth plus reinvested dividends. The graph looks at the value, at 31 March 2004, of £100 invested in Warner Estate on 31 March 1999 compared with the value of £100 invested in the FTSE All-Share Real Estate Index.

TOTAL SHAREHOLDER RETURN



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 8 June 2004 and was signed on its behalf by:

W R Broderick

Chairman of the Remuneration Committee
For and on behalf of the Board
8 June 2004

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 three 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 2004.

Following the publication of the Higgs and Smith reports in January 2004, the Combined Code was revised and the revised version will apply to future financial periods. Whilst the Directors subscribe to the principles of best practice set out in the Combined Code and are reviewing existing policies, documentation and procedures in response to the revised Combined Code, the age and size of the Company and the small number of Directors that form the Board may make full application impracticable on occasions.

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 J A Fooks has indicated his intention to retire at the conclusion of the Annual General Meeting on 9 September 2004. Mr W R Broderick is the Senior Independent Non-executive Director.

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 6. The attendance by Directors at scheduled Board and Committee meetings during the year was 100% in all cases.

A Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 10.

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 four times 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.

AUDITORS

In addition to the annual appointment of auditors by the Shareholders, there is an ongoing process of monitoring the Auditors' performance undertaken by the Audit Committee. The Audit Committee also assesses the independence of the Auditors and reviews any significant fees in respect of non-audit services provided by the Auditors to ensure that the provision of non-audit services does not impair the Auditors' independence or objectivity. As part of this process, it is agreed by the Audit Committee after careful assessment that the only non-audit work undertaken by PricewaterhouseCoopers LLP is the provision of tax services and statutory work in respect of the audit. Other action taken to ensure the independence of the Auditors is the periodic rotation of key team members of the Auditors. The lead partner in charge of the audit changed in 2002.

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 12 to 16.

NOMINATIONS COMMITTEE

The Nominations Committee is chaired by Mr P C T Warner and its members are all the Directors of the Company. It meets when appropriate to consider the selection and approval of candidates for appointment to the Board.

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 2004, 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 11.

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. A Risk Matrix has been created which is used to create an ongoing programme of investigations by the internal audit department.

Any such system of control can, however, provide only reasonable, but not absolute assurance against material misstatement or loss. Every year, as part of the Group's risk management, a specific overview is prepared on the current risk status of the Group. Such an analysis was reviewed at a Board meeting in November 2003.

The Board has established an ongoing process for identifying, evaluating and managing the Group's significant risks, which has been in place throughout the year ended 31 March 2004 and up to the date of approval of the Annual Report and Accounts.

The main features of the Group's framework for internal 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, 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.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 20 which incorporates their report on Corporate Governance.

Significant Events During the Year Ended 31 March 2004

	Date
Purchase of Pyramids Shopping Centre, Birkenhead by Agora Fund for £41.75m	June 2003
The £109m Skipper Regional Office Fund formed through a joint venture with The Royal Bank of Scotland	July 2003
Sale of six office properties into the Skipper Regional Office Fund for £109m	July 2003
The £113m Radial Distribution Fund formed through a joint venture with Bank of Scotland with the purchase of eight large distribution warehouses	August 2003
The £19m Bareway Industrial Fund formed through a joint venture with Barclays Bank with the purchase of three industrial estates	August 2003
A further four distribution warehouses and three industrial estates purchased for £34m for the Core portfolio	August 2003
Sale of shares in Merivale Moore PLC for net proceeds of £8.9m	August 2003
Purchase of an office property in Manchester for £14.8m	September 2003
Purchase of a warehouse property in Whiston, Lancashire for £7.6m	January 2004
Planning application submitted to enlarge significantly Fishergate Shopping Centre, Preston	January 2004
Planning permission received to increase size of Middleton Shopping Centre	March 2004

Significant Events Post 31 March 2004

	Date
Purchase of distribution unit near Glasgow by Radial Distribution Fund for £5.675m	May 2004
Purchase of an office property in Birmingham for £43.5m	May 2004

Independent Auditors Report to the Members of Warner Estate Holdings PLC

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds, the consolidated cash flow statement and the related notes which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies. 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.

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 into 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, the Chairman's Statement, the Property and Finance Reviews 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 2004 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
8 June 2004

Consolidated Profit and Loss Account

	Notes	2004 £000	2003* restated £000
Turnover: Group and share of joint ventures and associate	2	63,029	53,113
Less: share of joint ventures and associate		(18,663)	(7,589)
Group turnover	2	44,366	45,524
Cost of sales		(21,904)	(14,554)
Gross profit	2	22,462	30,970
Administrative expenses		(1,685)	(2,241)
Group operating profit		20,777	28,729
Share of operating profit in:			
Joint ventures	2	13,655	2,392
Associate	2	-	1,424
		13,655	3,816
Total operating profit		34,432	32,545
Profit on sale of fixed assets	5	1,576	1,552
Income from fixed asset investments	6	518	814
Profit on ordinary activities before interest		36,526	34,911
Net interest payable and similar charges	7	(20,825)	(18,354)
Profit on ordinary activities before taxation		15,701	16,557
Taxation on profit on ordinary activities	8	(3,177)	(2,728)
Profit on ordinary activities after taxation		12,524	13,829
Dividends	10	(8,587)	(8,115)
Retained profit		3,937	5,714
Basic earnings per share	11	P	P
Revenue		21.72	24.33
Capital		3.12	3.08
		24.84	27.41
Diluted earnings per share	11	P	P
Revenue		21.69	24.32
Capital		3.12	3.07
		24.81	27.39
Adjusted earnings per share	11	P	P
Revenue		24.54	23.32
Capital		1.77	3.08
		26.31	26.40

*2003 Profit and Loss Account restated as explained in Note 2(c).

Balance Sheets

	Notes	Group 2004 £000	Group 2003 restated £000	Company 2004 £000	Company 2003 restated £000
Fixed assets					
Tangible fixed assets					
Investment properties	12	317,453	333,821	-	-
Other tangible assets	13	429	504	-	-
		317,882	334,325	-	-
Joint ventures	14				
Share of gross assets		280,595	121,466	204	3,663
Share of gross liabilities		(266,081)	(115,847)	-	(3,690)
Loan accounts		74,498	19,354	3,764	19,354
		89,012	24,973	3,968	19,327
Investments	15	13,371	19,450	113,476	113,606
		420,265	378,748	117,444	132,933
Current assets					
Property stock		17,477	46,044	-	-
Debtors	16	9,580	11,301	174,759	155,521
Cash at bank and in hand		16,647	16,638	-	878
		43,704	73,983	174,759	156,399
Current liabilities					
Creditors: amounts falling due within one year	17	(58,848)	(95,164)	(94,375)	(93,627)
Net current (liabilities)/assets		(15,144)	(21,181)	80,384	62,772
Total assets less current liabilities		405,121	357,567	197,828	195,705
Creditors: amounts falling due after more than one year	17	(155,061)	(135,475)	-	-
Provision for liabilities and charges					
Deferred taxation	18	(3,496)	(4,364)	-	-
Net assets excluding pension liability		246,564	217,728	197,828	195,705
Pension liability	3	(313)	(235)	-	-
Net assets		246,251	217,493	197,828	195,705
Capital and reserves					
Called up share capital	20	2,548	2,548	2,548	2,548
Share premium account	21	5,559	5,548	5,559	5,548
Revaluation reserve	22	33,730	12,920	1,144	870
Other reserves	22	193,019	187,344	68,873	69,062
Profit and loss account	22	13,084	10,811	121,393	119,355
Investment in own shares	23	(1,689)	(1,678)	(1,689)	(1,678)
Equity shareholders' funds		246,251	217,493	197,828	195,705

The accounts on pages 21 to 47 were approved by the Board of Directors on 8 June 2004 and were signed on its behalf by:

Philip Warner Director **Peter Collins** Director

Statement of Total Recognised Gains and Losses

	Notes	2004 £000	2003 £000
Profit on ordinary activities after taxation		12,524	13,829
Unrealised surplus/(deficit) on revaluation of properties			
Group	12/22	13,525	3,745
Joint ventures	14/22	8,607	(4)
Associate		–	(748)
Unrealised surplus on disposal of investment properties into joint venture		–	1,190
Unrealised surplus/(deficit) on revaluation of investments	15/22	2,777	(1,404)
Actuarial loss on pension scheme assets	3/22	(122)	(317)
Deferred tax arising on pension scheme assets	3/22	34	85
Total recognised gains and losses relating to the year		37,345	16,376

Note of Historical Cost Profits and Losses

	Notes	2004 £000	2003 £000
Revenue profit on ordinary activities before taxation		14,125	15,005
Capital profit on ordinary activities before taxation	5	1,576	1,552
Reported profit on ordinary activities before taxation		15,701	16,557
Realisation of revaluation surpluses of previous years	22	4,099	5,444
Historical cost profit on ordinary activities before taxation and dividends		19,800	22,001

Retained profit for the year			
Revenue		2,361	4,162
Capital		5,675	6,996
Historical cost profit for the year retained after taxation and dividends		8,036	11,158

Reconciliation of Movements in Shareholders' Funds

	Notes	2004 £000	2003 restated £000
Profit on ordinary activities after taxation		12,524	13,829
Dividends	10	(8,587)	(8,115)
New share capital issued	20/21	11	27
Disposal of investment in own shares	23	119	–
Acquisition of investment in own shares	23	(130)	(218)
Other recognised gains and losses	22	24,821	2,547
Net increase in shareholders' funds		28,758	8,070
Opening shareholders' funds as reported		219,171	210,883
Prior year adjustment on adoption of UITF 37 and UITF 38		(1,678)	(1,460)
Opening shareholders' funds as restated		217,493	209,423
Closing equity shareholders' funds		246,251	217,493

Consolidated Cash Flow Statement

	Notes	2004	2004	2003	2003
		£000	£000	£000	£000
Net cash inflow from operating activities	24		55,741		34,812
Dividends received from joint ventures and associate			42		358
Returns on investments and servicing of finance					
Interest received		2,164		327	
Interest and similar charges paid		(11,869)		(16,301)	
Dividends received from listed investments		518		814	
Net cash outflow from returns on investments and servicing of finance			(9,187)		(15,160)
Taxation					
UK corporation tax paid			(2,630)		(1,770)
Capital expenditure and financial investments					
Purchases of tangible fixed assets		(59,805)		(23,108)	
Sales of tangible fixed assets		90,508		94,635	
Purchase of listed investments		-		(65)	
Loans to joint ventures		(57,549)		(17,739)	
Repayment of short-term loans from joint ventures		2,405		253	
Premiums paid on sinking fund policy		-		(6)	
Net cash (outflow)/inflow from capital expenditure and financial investments			(24,441)		53,970
Acquisitions and disposals					
Disposal of shares in associate undertaking		8,856		-	
Acquisition of shares in joint ventures		(1,343)		(5,525)	
Disposal of shares in joint ventures		-		2,164	
Net cash inflow/(outflow) from acquisitions and disposals			7,513		(3,361)
Equity dividends paid			(8,332)		(11,480)
Management of liquid resources					
Disposal of current asset investment			-		44
Net cash inflow before financing			18,706		57,413
Financing					
Repayment of bank loan		(1,100)		(600)	
Repayment of mortgage and other loans		(794)		(1,508)	
Bank loan advances		22,757		-	
Issue of shares		11		27	
Purchase of own shares for LTIP, AESOP and share option schemes		(130)		(218)	
Net cash inflow/(outflow) from financing			20,744		(2,299)
Increase in cash	25/26		39,450		55,114

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

UITF abstract 37 (Purchases and Sales of Own Shares) and UITF abstract 38 (Accounting for ESOP Trusts) have been adopted for the first time in these accounts. They require own shares held to be shown as a reduction in shareholders' funds rather than as an asset.

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.

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.

Turnover

Turnover consists of gross rental income, trading property sales and management fees earned calculated on an accruals basis, together with sales and services in the ordinary course of business, excluding sale of investment properties. Rental income receivable in the period from lease commencement to the earlier of the first market rent review and the lease end date is spread evenly over that period. Any incentive for lessees to enter into a lease agreement is spread over the same period.

Notes to the Financial Statements continued

1 Accounting Policies continued

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 deficits 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 ten 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. Profits and losses in respect of financial instruments, where they have been entered into in accordance with the Group's policies in relation to hedging of interest rate risk, are recognised on an accruals basis, reflecting the cashflows over the life of the instrument.

No adjustment is made in the accounts in respect of the market value of such instruments unless such instruments are judged to be in excess of current or future hedging requirements.

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.

1 Accounting Policies 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	Share of joint ventures	Share of associate ^(a)	Total
Year ended 31 March 2004	£000	£000	£000	£000	£000	£000
Turnover:						
Rents receivable ^(b)	25,932	1,526	27,458	15,379	–	42,837
Management fees ^(c)	1,391	–	1,391	–	–	1,391
Property trading	–	15,517	15,517	3,284	–	18,801
Total turnover	27,323	17,043	44,366	18,663	–	63,029
Property outgoings	(4,828)	(843)	(5,671)	(1,947)	–	(7,618)
Management fee costs	(656)	–	(656)	–	–	(656)
Cost of sales	–	(15,393)	(15,393)	(2,939)	–	(18,332)
Writedown cost of trading stock	–	(184)	(184)	–	–	(184)
Gross profit	21,839	623	22,462	13,777	–	36,239
Administrative expenses	(1,649)	(36)	(1,685)	(122)	–	(1,807)
Operating profit	20,190	587	20,777	13,655	–	34,432

	Property investment	Property trading	Group Total	Share of joint ventures	Share of associate ^(a)	Total
Year ended 31 March 2003 restated	£000	£000	£000	£000	£000	£000
Turnover:						
Rents receivable ^(b)	33,230	3,767	36,997	2,690	1,942	41,629
Management fees ^(c)	426	–	426	–	–	426
Property trading	–	8,101	8,101	2,954	3	11,058
Total turnover	33,656	11,868	45,524	5,644	1,945	53,113
Property outgoings	(5,657)	(1,179)	(6,836)	(476)	(251)	(7,563)
Management fee costs	(90)	–	(90)	–	–	(90)
Cost of sales	–	(7,291)	(7,291)	(2,501)	(62)	(9,854)
Writedown cost of trading stock	–	(337)	(337)	–	–	(337)
Gross profit	27,909	3,061	30,970	2,667	1,632	35,269
Administrative expenses	(2,002)	(239)	(2,241)	(275)	(208)	(2,724)
Operating profit	25,907	2,822	28,729	2,392	1,424	32,545

All turnover and operating profit has arisen from continuing operations.

(a) The investment in the associate was disposed of in August 2003.

(b) Rents receivable includes £100,000 (2003: nil) of rent allocated to rent free periods.

(c) Management fees receivable are now material and are included in turnover. The comparatives have been restated since in previous years management fees receivable were set off against property outgoings or administration costs as appropriate.

(d) Turnover does not include monies received from tenants in respect of service charge costs the tenants bear on their properties of £6,336,000 (2003: £7,000,000). Service charge costs not recovered ("void costs") are included within property outgoings of £723,000 (2003: £1,330,000).

	2004	2003
	£000	£000
Operating profit is stated after charging:		
Depreciation	127	133
Loss on disposal of tangible fixed assets	5	–
Operating lease charges – properties	691	759

Notes to the Financial Statements continued

2 Turnover and Operating Profit continued

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

	2004	2003
	£000	£000
Audit services (Company: £65,000 (2003: £41,000))	107	137
Audit related services ⁽¹⁾	15	7
Non-audit services: Taxation	105	156
Other	-	-
	227	300

(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 £321,000 (March 2003: £220,000) was charged by the Auditors for tax and accounting work in connection with the setting up of the three new joint ventures (March 2003 relates to the setting up of the Agora Joint Venture), and £106,000 was charged by the Auditors for audit services to the joint ventures (March 2003: nil).

3 Employees

	2004	2003
	£000	£000
Staff costs		
Wages and salaries	3,606	3,708
Social security costs	456	291
Other pension costs	285	190
	4,347	4,189
	2004	2003
	Number	Number
The average number of persons employed during the year was:		
Management and administrative	40	36
Repairs and service	19	13
	59	49

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 £254,000 (2003: £190,000). Pension premiums paid in advance were £61,000 (2003: £47,000).

The Group operates a defined benefit scheme in the UK, The Warner Estate Group Retirement Benefits Scheme. A full valuation was carried out at 31 March 2003 by a qualified independent actuary.

It has been agreed with the Trustees that the Group contributes 23% of pensionable salary plus £67,000 per annum.

The following assumptions were made by the Company:

	% per annum
Discount rate	5.5
Rate of increase of salaries	3.4
Rate of increase in payment and deferred pensions	2.8
Price inflation	2.9

Notes to the Financial Statements continued

3 Employees continued

Pension Commitments continued

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 2004	Value at 31 March 2004	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003
	%	£000	%	£000
Equities	7.8	696	7.0	502
Fixed interest	5.4	4,125	5.4	3,995
Cash	4.0	104	4.0	90
Total market value of assets		4,925		4,587
Present value of Scheme liabilities		(5,372)		(4,922)
Deficit		(447)		(335)
Related deferred tax asset		134		100
Net pension liability		(313)		(235)

Included within the above value of Scheme assets and liabilities is £4,056,000 (2003: £3,917,000) relating to insured pensioners' liability.

Analysis of Amount Charged to Operating Profit

	2004	2003
	£000	£000
Current service cost	33	35

Analysis of the Movements in the Scheme Deficit During the Year

	2004	2003
	£000	£000
Deficit in the Scheme at beginning of year	(335)	(51)
Movements in year:		
Current service cost	(33)	(35)
Contributions paid	55	65
Other finance (cost)/income	(12)	3
Actuarial gains and (losses):		
Actual return less expected return on the Scheme assets	88	(198)
Experience losses arising on the Scheme liabilities	(26)	(24)
Change in assumptions underlying the present value of the Scheme liabilities	(184)	(95)
Actuarial losses recognised in statement of total recognised gains and losses	(122)	(317)
Deficit in scheme at end of year	(447)	(335)

4 Directors' Remuneration

A summary of Directors' remuneration, including disclosure required by the Companies Act 1985 and those specified by the Financial Services Authority, is contained in the Directors' Remuneration Report on pages 12 to 16.

Notes to the Financial Statements continued

5 Profit on Sale of Fixed Assets

	2004	2003
	£000	£000
Surplus over book value		
Investment properties	888	1,187
Arising on disposal of properties into joint ventures	679	–
Share of joint ventures	9	–
Share of associate	–	365
	1,576	1,552
Prior years' revaluation (deficit)/surpluses realised		
Investment properties	(240)	5,444
Other investments	4,270	–
Joint ventures	69	–
	4,099	5,444

6 Income from Fixed Asset Investments

	2004	2003
	£000	£000
Dividends from fixed asset listed investments	518	814

7 Net Interest Payable and Similar Charges

	2004	2003
	£000	£000
Interest payable and similar charges on bank loans and overdrafts, mortgages and other loans:		
repayable within five years not by instalments	2,565	6,419
repayable wholly or partly in more than five years by instalments	9,056	9,612
	11,621	16,031
Charge in respect of cost of raising finance	503	575
	12,124	16,606
Less capitalised interest	–	(53)
	12,124	16,553
Interest receivable and similar income:		
From joint ventures (note 14)	(3,679)	(1,052)
Other interest	(466)	(400)
	7,979	15,101
Other finance cost/(income)		
Expected return on pension scheme assets	(259)	(271)
Interest on pension scheme liabilities	271	268
	12	(3)
	7,991	15,098
Share of joint ventures' net interest	12,834	2,258
Share of associate's net interest	–	998
	20,825	18,354

Included within interest payable is £222,000 (2003: £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

	2004	2003
	£000	£000
Taxation on profit on ordinary activities		
UK corporation tax:		
Current at 30% (2003: 30%)	2,824	2,701
Deferred	1,422	(555)
	4,246	2,146
(Over)/under provision in respect of prior year's tax charge	(1,300)	214
	2,946	2,360
Share of tax in joint ventures	231	47
Share of tax in associate	–	321
	3,177	2,728
	2004	2003
	£000	£000
Reconciliation of taxation charge		
Tax at 30% (2003: 30%) of profit on ordinary activities before taxation	4,710	4,967
Use of losses	(533)	(529)
Dividends received not taxable	(155)	(244)
Capital allowances claimed	(1,050)	(1,471)
Profits attributable to joint ventures	(249)	(40)
Profits attributable to associate	–	(122)
Other differences	101	140
	2,824	2,701

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 £10,436,000 (2003: £10,953,000) which has been dealt with in the accounts of the Company.

10 Dividends

	2004	2003
	£000	£000
On Ordinary 5p shares		
Interim 8.25p paid 28 February 2004 (2003: 7.75p)	4,167	3,950
Final proposed 8.75p payable 15 September 2004 (2003: 8.25p)	4,458	4,203
Adjustment to 2003 final on shares held under the LTIP and Share Option Scheme (2003: adjustment to 2002 final on shares held under the LTIP and Share Option Scheme)	(38)	(38)
	8,587	8,115

11 Earnings per Share

Earnings per share of 24.84p (2003 restated: 27.41p) are calculated on the profit on ordinary activities after taxation of £12,524,000 (2003: £13,829,000) and the weighted average of 50,411,074 (2003 restated: 50,452,312) 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 £1,576,000 (2003: £1,552,000).

Diluted earnings per share of 24.81p (2003 restated: 27.39p) are calculated on the profit on ordinary activities after taxation of £12,524,000 (2003: £13,829,000) and the weighted average of 50,473,891 (2003 restated: 50,478,826) 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 of £1,422,000 (2003: credit of £509,000) 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.

Notes to the Financial Statements continued

12 Investment Properties

	Freehold	Freehold assets held for resale	Leasehold with over 50 years unexpired	Total
	£000	£000	£000	£000
Group				
At 31 March 2003	208,280	81,030	44,511	333,821
Additions	50,079	1,654	7,994	59,727
Disposals	(6,936)	(82,684)	–	(89,620)
	251,423	–	52,505	303,928
Surplus on revaluation	12,023	–	1,502	13,525
At 31 March 2004	263,446	–	54,007	317,453

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 2004.

Investment properties were valued as follows:

	£000
Cushman & Wakefield Healey & Baker	259,340
Directors' valuation	58,113
	317,453

Included within investment properties is interest capitalised of £1,296,000 at 31 March 2004, none of this arose in the year (2003: £53,000).

On an historical cost basis the investment properties which have been included above at valuation would have been shown at cost as £296,715,000 (2003: £326,848,000).

13 Other Tangible Assets

	£000
Group	
Cost	
At 31 March 2003	950
Additions	78
Disposals	(39)
At 31 March 2004	989
Depreciation	
At 31 March 2003	446
Charge for year	127
Eliminated in respect of disposals	(13)
At 31 March 2004	560
Net book value at 31 March 2004	429
Net book value at 31 March 2003	504

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

Notes to the Financial Statements continued

14 Joint Ventures

	Group	Company
	£000	£000
Share of joint ventures:		
At 31 March 2003	24,973	19,327
Share of profit for the year	599	174
Surplus on revaluation of investments	8,607	100
Net equity movements	(311)	(43)
Net loan movements	55,144	(15,590)
At 31 March 2004	89,012	3,968

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Unlisted shares at cost less amounts written-off	6,865	5,525	–	–
Group's share of post acquisition retained profits/(losses) and reserves	7,649	94	204	(27)
	14,514	5,619	204	(27)
Amounts owed by joint ventures	74,498	19,354	3,764	19,354
	89,012	24,973	3,968	19,327

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

	Agora Shopping Centres ^(a)	Skipper Offices Limited ^(b)	Fairway Industrial Limited ^(c)	Bareway Industrial Properties Limited ^(d)	Others ^(e)	Total
To 31 March 2004	£000	£000	£000	£000	£000	£000
Group share of results						
Turnover	9,374	3,072	2,486	447	3,284	18,663
Operating profit	7,924	2,680	2,346	405	300	13,655
Capital profit	–	–	–	–	9	9
Net interest payable and similar charges	(7,920)	(2,393)	(2,102)	(346)	(73)	(12,834)
Profit on ordinary activities before taxation	4	287	244	59	236	830
Taxation on profits on ordinary activities	9	(85)	(74)	(18)	(63)	(231)
Profit on ordinary activities after taxation	13	202	170	41	173	599
Asset management fees	762	315	244	46	–	1,367
Interest receivable	880	1,747	780	248	69	3,724
Group share of:						
Investment properties	146,451	56,349	58,202	9,889	–	270,891
Other current assets	4,294	2,419	2,147	478	366	9,704
Gross assets	150,745	58,768	60,349	10,367	366	280,595
Current liabilities						
Loans	(127,354)	(55,024)	(48,887)	(9,797)	–	(241,062)
Other liabilities	(9,007)	(2,573)	(11,242)	(429)	(162)	(23,413)
Deferred taxation	(461)	(1,145)	–	–	–	(1,606)
Gross liabilities	(136,822)	(58,742)	(60,129)	(10,226)	(162)	(266,081)
Share of net assets	13,923	26	220	141	204	14,514
Effective Group share	50%	50%	50%	50%	50%	
Potential recourse to the Group	Nil	Nil	Nil	7,150	Nil	

Notes to the Financial Statements continued

14 Joint Ventures continued

	Agora Shopping Centres ^(a)	Skipper Offices Limited ^(b)	Fairway Industrial Limited ^(c)	Bareway Industrial Properties Limited ^(d)	Others ^(e)	Total
To 31 March 2003	£000	£000	£000	£000	£000	£000
Group share of results						
Turnover	576	–	–	–	5,068	5,644
Operating profit	487	–	–	–	1,905	2,392
Net interest payable and similar charges	(442)	–	–	–	(1,816)	(2,258)
Profit on ordinary activities before taxation	45	–	–	–	89	134
Taxation on profits on ordinary activities	(24)	–	–	–	(23)	(47)
Profit on ordinary activities after taxation	21	–	–	–	66	87
Asset management fees	73	–	–	–	344	417
Interest receivable	49	–	–	–	1,003	1,052
Group share of:						
Investment properties	111,304	–	–	–	226	111,530
Trading properties	–	–	–	–	2,336	2,336
Other current assets	6,498	–	–	–	1,102	7,600
Gross assets	117,802	–	–	–	3,664	121,466
Current liabilities						
Loans	(106,467)	–	–	–	(3,341)	(109,808)
Other liabilities	(5,790)	–	–	–	(249)	(6,039)
Deferred taxation	–	–	–	–	–	–
Gross liabilities	(112,257)	–	–	–	(3,590)	(115,847)
Share of net assets	5,545	–	–	–	74	5,619
Effective Group share	50%	–	–	–	50%	
Potential recourse to the Group	Nil	–	–	–	Nil	

(a) Agora Shopping Centres was set up on 5 March 2003 and subsequently acquired the Pyramids in Birkenhead on 25 June 2003.

(b) Skipper Offices Limited was set up on 23 July 2003.

(c) Fairway Industrial Limited was set up on 29 August 2003.

(d) Bareway Industrial Properties was set up on 29 August 2003.

(e) The profit or loss that arose from the Bolton and Middleton shopping centre joint ventures prior to the setting up of the Agora Shopping Centres joint venture was included in "other" and accounted for £1,151,000 of operating profit and £1,571,000 of net interest payable in the year to 31 March 2003.

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Loans to joint ventures comprise:				
Agora Shopping Centres Limited	23,596	16,949	3,764	16,949
Skipper Offices Limited	29,000	–	–	–
Fairway Industrial Limited	16,518	–	–	–
Bareway Industrial Properties Limited	5,384	–	–	–
Trade Centre Developments Limited	–	2,405	–	2,405
	74,498	19,354	3,764	19,354

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	–	6,647	6,647
Skipper Offices Limited	–	29,000	29,000
Fairway Industrial Limited	–	16,518	16,518
Bareway Industrial Properties Limited	–	5,384	5,384
Trade Centre Developments Limited	(2,405)	–	(2,405)
	(2,405)	57,549	55,144

15 Fixed Asset Investments

	2004	Group	2003	2004	Company	2003
	£000		£000	£000		£000
Subsidiary undertakings ^(a)	–		–	113,476		113,606
Investment in associate ^(b)	–		8,856	–		–
Listed investments ^(c)	13,371		10,594	–		–
	13,371		19,450	113,476		113,606

(a) Subsidiary Undertakings

	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Company total
	£000	£000	£000
Cost			
At 31 March 2003	59,951	53,655	113,606
Transfer to shares in subsidiary undertakings	2,055	(2,055)	–
Disposals	(130)	–	(130)
At 31 March 2004	61,876	51,600	113,476

(b) Investment in Associate

	Group
	£000
At 31 March 2003	9,107
Disposal	(9,107)
At 31 March 2004	–
Negative goodwill	
At 31 March 2003	(251)
Written off during the year	251
At 31 March 2004	–
Net investment in associate	
At 31 March 2004	–
At 31 March 2003	8,856

Notes to the Financial Statements continued

15 Fixed Asset Investments continued

(c) Listed Investments

	Group	Company
	£000	£000
Listed on the London Stock Exchange		
At 31 March 2003	10,594	–
Surplus on revaluation	2,777	–
At 31 March 2004	13,371	–

	Group	Company
	£000	£000
Historic cost of listed investments		
At 31 March 2004	7,013	–
At 31 March 2003	7,013	–

16 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	2,231	3,077	–	–
Amounts owed by Group undertakings	–	–	171,507	149,389
Other debtors	1,384	5,168	1,936	3,548
Prepayments and accrued income	5,965	3,056	1,316	2,584
	9,580	11,301	174,759	155,521

17 Creditors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts falling due within one year				
Bank loans and overdrafts	35,352	73,143	36,538	42,753
Mortgages and other loans	794	794	–	–
Trade creditors	444	1,659	1	179
Amounts owed to Group undertakings	–	–	52,513	43,696
Amounts owed to joint ventures	3,730	–	–	–
Dividends payable	4,458	4,203	4,458	4,203
Corporation tax	1,289	2,395	–	1,266
Other taxation and social security	923	997	103	110
Other creditors	1,654	1,276	167	536
Accruals and deferred income	10,204	10,697	595	884
	58,848	95,164	94,375	93,627

Amounts falling due after more than one year

Bank loan	75,541	55,216	–	–
Mortgages and other loans	79,520	80,259	–	–
	155,061	135,475	–	–

Notes to the Financial Statements continued

17 Creditors continued

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.

	2004	Group	2003
	£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	24,889		24,874
11.655% First Mortgage Debenture Stock 2015 (reducing to 9.75% from 2009)	10,000		10,000
9.635% First Mortgage Debenture Stock 2015	12,445		12,430
Mortgage repayable in 2019 at an interest rate of 0.9% over LIBOR	49,785		49,757
	97,119		97,061
Other mortgages and loans			
Redeemable in quarterly instalments of £250,000 maturing 2006	22,313		–
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%	10,429		12,254
Redeemable in quarterly instalments of £125,000 maturing 2014 at an interest rate of 9.15%	4,590		5,582
Redeemable in quarterly instalments of £74,000 maturing 2014 at an interest rate of 9.06%	2,700		3,284
	157,151		138,181

Summary of borrowings

	Bank loans and overdrafts		Other borrowings	
	2004	2003	2004	2003
	£000	£000	£000	£000
Group				
Within one year or on demand	35,352	73,143	794	794
Between one and two years	22,750	650	794	794
Between two and five years	4,500	4,250	2,382	2,382
In five years or more	48,679	50,556	76,669	77,464
	111,281	128,599	80,639	81,434
Future finance costs	(387)	(240)	(326)	(381)
	110,894	128,359	80,313	81,053
Company				
Within one year or on demand	36,538	42,753	–	–

Of the borrowings at 31 March 2004 £56,568,000 were non-recourse loans (2003: £57,518,000).

Notes to the Financial Statements continued

18 Deferred Taxation

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Deferred taxation arising from the timing differences noted below:				
Capital and industrial building allowances claimed on investment properties	3,486	4,328	-	-
Short-term timing differences	10	36	-	-
	3,496	4,364	-	-

The movement in deferred tax is as follows:

	Accelerated capital allowances	Short-term timing differences	Total
	£000	£000	£000
Deferred tax liability at 31 March 2003	4,328	36	4,364
Provision for capital allowances claimed	1,439	-	1,439
Other	9	(26)	(17)
Total profit and loss account impact	5,776	10	5,786
Disposed by way of disposal to joint venture entities	(2,290)	-	(2,290)
Deferred tax liability at 31 March 2004	3,486	10	3,496

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:

	2004	2003
	£000	£000
Group	6,165	1,409
Company	-	-

19 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 7.

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 32 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 and cash at bank.

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:

	2004	2003
	£000	£000
Floating rate financial liabilities	-	-
Capped rate financial liabilities	98,751	108,798
Fixed rate financial liabilities	93,169	101,235
	191,920	210,033

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

Notes to the Financial Statements continued

19 Financial Instruments continued

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

	2004	2003
	%	%
Weighted average interest rate:		
Group	8.00	7.97
Joint ventures	5.52	5.63
	2004	2003
	Years	Years
Weighted average period for which interest rate is fixed:		
Group	6.00	6.45
Joint ventures	4.12	5.01

Maturity of Financial Liabilities

	2004	2003
	£000	£000
Group		
Within one year or on demand	36,146	73,937
Between one and two years	23,544	1,444
Between two and five years	6,882	6,632
In five years or more	125,348	128,020
	191,920	210,033
Company		
Within one year or on demand	36,538	42,753

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.

	2004	2003
	£000	£000
Expiring in one year or less		
Total facilities	72,442	147,100
Unutilised	39,340	74,573

Notes to the Financial Statements continued

19 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.

	2004	2004	2004	2003
	Book value	Fair value	Fair value adjustment	Fair value adjustment
	£000	£000	£000	£000
Group				
Primary financial instruments				
Liabilities				
Short term debt excluding the current portion of long term fixed debt	34,102	34,102	-	-
Floating long-term debt (over one year)	96,468	96,468		
Fixed long-term debt (over one year)	61,350	71,744	(10,394)	(13,469)
Assets				
Financial assets	(29,994)	(29,994)	-	-
Long-term loan notes (over one year)	(19,838)	(19,131)	(707)	(141)
Fixed rate loan	(5,384)	(5,354)	(30)	-
Derivative instruments held to manage debt				
Interest rate swaps	-	1,562	(1,562)	(3,089)
Interest rate caps	(449)	(234)	(215)	(293)
Joint ventures				
Primary financial instruments				
Long-term debt	218,532	218,532	-	-
Long-term loan notes	19,838	19,131	707	141
Fixed rate loan	2,692	2,677	15	-
Assets				
Financial assets	(5,388)	(5,388)	-	-
Derivative instruments held to manage debt				
Interest rate swaps	-	(4,328)	4,328	(581)

The effect on net assets per share of the total fair value adjustment (£7,858,000 less tax of £2,357,000) would be a decrease of 10.8p (2003: 23.9p).

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

£100,000,000 capped at 7.25% to 2007

Joint venture:

£175,000,000 swapped at 4.1% to 2008

£34,800,000 swapped at 4.24% to 2008

£70,000,000 swapped at 4.265% to 2008

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

Notes to the Financial Statements continued

19 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 2003	2,795
Prior year losses recognised during the year	(863)
Unrecognised losses arising during the year	(604)
Unrecognised losses on hedges at 31 March 2004	1,328
Of which expected to arise:	
In year to 31 March 2005	595
In year to 31 March 2006 or later	733

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.

20 Share Capital

	2004	2003
	£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 2003 (50,950,197 shares)	2,548	2,547
Allotted under share option schemes (4,573 shares)	-	1
Allotted, called up and fully paid at 31 March 2004 (50,954,770 shares)	2,548	2,548

At 31 March 2004 there were share options to subscribe for Ordinary shares under the Warner Estate Holdings 1995 Share Option Scheme as follows:

	Shares
At 303.5p per share between 16 August 2004 and 15 August 2011	285,755
At 319p per share between 17 July 2005 and 16 July 2012	331,702
At 367.5p per share between 27 June 2006 and 26 June 2013	331,219

During the year 4,573 new Ordinary shares of 5p each were allotted for a cash consideration of £11,547 in accordance with the provisions of the Warner Estate Holdings 1995 Share Option Scheme.

21 Share Premium Account

	2004	2003
	£000	£000
At 31 March 2003	5,548	5,522
Premium on shares issued under share option schemes (note 20)	11	26
At 31 March 2004	5,559	5,548

Notes to the Financial Statements continued

22 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 2003	12,920	303	7,693	179,348	10,811
Transfer from profit and loss account	–	–	–	1,576	(1,576)
Realised on disposal of investment properties	240	–	–	(240)	–
Realised on disposal of investments	(4,270)	–	–	4,270	–
Realised on disposal of joint ventures' investment properties	(69)	–	–	69	–
Revaluation surplus on investment properties	13,525	–	–	–	–
Share of joint ventures' revaluation surplus on investment properties	8,607	–	–	–	–
Increase on revaluation of investments	2,777	–	–	–	–
Actuarial losses on pension scheme assets	–	–	–	–	(122)
Deferred tax on pension assets	–	–	–	–	34
Retained profit for the year	–	–	–	–	3,937
At 31 March 2004	33,730	303	7,693	185,023	13,084
Company and subsidiaries	25,125	303	7,693	184,954	12,500
Joint ventures	8,605	–	–	69	584
At 31 March 2004	33,730	303	7,693	185,023	13,084

*The closing balance on the profit and loss account includes £313,000 liability (2003: £235,000) stated after a deferred tax asset of £134,000 (2003: £100,000) in respect of the Group's defined benefit pension scheme as set out in note 3 to the accounts.

Company

At 31 March 2003	870	303	6,775	61,984	119,355
Transfer from profit and loss account	–	–	–	(189)	189
Surplus on revaluation of joint ventures	274	–	–	–	–
Retained profit for the year	–	–	–	–	1,849
At 31 March 2004	1,144	303	6,775	61,795	121,393

The Company's profit and loss account includes £108,309,000 derived from capital profits in subsidiary undertakings and, therefore, the Directors consider that distributable profits are £13,084,000.

Notes to the Financial Statements continued

23 Investment in Own Shares

	Number	Cost £000
Group and Company		
At 31 March 2003	543,172	1,678
Additions	42,109	130
Disposals	(32,243)	(119)
At 31 March 2004	553,038	1,689

Included in investment in own shares are shares relating to the Inland Revenue Approved All-Employee Share Ownership Plan, as follows:

	Number	2004 Cost £000	Market value £000		2003 Cost £000	Market value £000
Partnership shares purchased by employees, not yet vested	20,668	–	99	12,371	–	41
Matching and Free shares not yet vested	70,912	251	339	37,100	121	122
	91,580	251	438	49,471	121	163

The vesting of Matching and Free shares is conditional on meeting the conditions of the scheme which is summarised in the Directors' Remuneration Report on page 13.

24 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2004 £000	2003 £000
Operating profit	20,777	28,729
Depreciation of tangible fixed assets	127	133
Loss on sale of other tangible fixed assets	5	–
Decrease in stocks	28,567	7,330
Decrease/(increase) in debtors	3,702	(2,096)
Increase in creditors	2,563	716
Net cash inflow from operating activities	55,741	34,812

25 Reconciliation of Net Cash Flow to Movement in Net Debt

	2004 £000	2003 £000
Increase in cash in the year	39,450	55,114
(Increase)/decrease in long-term mortgages and loans	(21,236)	1,787
	18,214	56,901
Opening net debt	(192,774)	(249,675)
Closing net debt	(174,560)	(192,774)

Notes to the Financial Statements continued

26 Analysis of Net Debt Movement

	2003	Reclassification	Cash flow	Non-cash items	2004
	£000	£000	£000	£000	£000
Cash at bank and in hand	16,638	–	9	–	16,647
Bank overdrafts/short-term borrowings	(72,543)	–	39,441	–	(33,102)
		–	39,450	–	
Debt due within one year					
Bank loan	(600)	(650)	(1,000)	–	(2,250)
Mortgage and other loans	(794)	–	–	–	(794)
		(650)	(1,000)	–	
Debt due after one year					
Bank loan	(55,216)	650	(20,657)	(318)	(75,541)
Mortgage and other loans	(80,259)	–	794	(55)	(79,520)
		–	(20,863)	(373)	
Net debt	(192,774)	–	18,587	(373)	(174,560)

27 Contingent Liabilities

	2004	2003
	£000	£000
Contingent liabilities in respect of guarantees given by the Company are as follows:		
Bank overdrafts	68,970	107,680
Mortgage debenture and loans	80,640	81,435
Bank loans of joint ventures	14,300	–
	163,910	189,115

28 Operating Lease Commitments

	2004	2003
	£000	£000
Group		
Annual commitments in respect of operating leases on properties are as follows:		
Expiring after five years	691	667

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:

	2004	2003
	£000	£000
Mr G A Cooke		
Director of ATIS Real Weatheralls Limited – Secondment of trainee	–	18

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.

Notes to the Financial Statements continued

30 Profit on Sale of Associate

In August 2003 the Group disposed of its 26% shareholding in Merivale Moore plc for £8.9m. No profit was made on the disposal.

31 Other Information

Accounting for employee share schemes and ESOP Trusts, UITF Abstract 37 "Purchases and Sales of Own Shares" and UITF Abstract 38 "Accounting for ESOP Trusts" require that a company's own shares held for employee share schemes and through an ESOP Trust be shown as a deduction from shareholders' funds. The impact of the adoption of UITF 37 and UITF 38 on the current year's and prior year's shareholders' funds is shown below. There is no effect on the profit and loss account.

	As reported	Adjustment	Without change in accounting policy
At 31 March 2004	£000	£000	£000
Investments	–	(1,438)	1,438
Creditors	(58,848)	(251)	(58,597)
Net assets	246,251	(1,689)	247,940
Investments in shares	(1,689)	(1,689)	–
Shareholders' funds	246,251	(1,689)	247,940
	As restated	Adjustment	As previously reported
At 31 March 2003	£000	£000	£000
Investments	–	(1,557)	1,557
Creditors	(95,164)	(121)	(95,043)
Net assets	217,493	(1,678)	219,171
Investments in shares	(1,678)	(1,678)	–
Shareholders' funds	217,493	(1,678)	219,171

Notes to the Financial Statements continued

32 Fixed Asset Investments at 31 March 2004

		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
*Warner Funds Limited (Jersey):	£1 Ordinary Shares	2	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
*Vere Street (Jersey) Limited (Jersey):	£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
*Warner Industrial Investments Limited:	£1 Ordinary Shares	10,001	100
Property Trading			
Lotkeep Limited:	£1 Ordinary Shares	100	100
Other Investment			
Cardiff & Provincial Properties Limited:	25p Ordinary Shares	162,000	100
Joint Ventures			
Property Investment			
*Agora Shopping Centres Limited:	£1 A Ordinary Shares	5,525,000	100
	£1 B Ordinary Shares	5,525,000	–
*Agora Shopping Centres Two Limited:	£1 A Ordinary Shares	1,087,500	100
	£1 B Ordinary Shares	1,087,500	–
*Bareway Industrial Properties Limited:	£1 A Ordinary Shares	100,000	100
	£1 B Ordinary Shares	100,000	–
*Fairway Industrial Limited:	£1 A Ordinary Shares	50,000	100
	£1 B Ordinary Shares	50,000	–
*Skipper Offices Limited (Jersey):	£1 A Ordinary Shares	100,000	100
	£1 B Ordinary Shares	100,000	–
Property Development			
Trade Centre Developments Limited:	£1 Ordinary Shares	4,000	50
Principal Other Investments			
*East Surrey Holdings plc (Listed):	5p Ordinary Shares	4,232,809	3
	£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.

All companies are incorporated in the UK and registered in England unless otherwise indicated.

Five Year Record

Analysis of Gross Rental Income

	Year to 31 March 2004	Year to 31 March 2003	Year to 31 March 2002	Year to 31 March 2001	Year to 31 March 2000	18 months ended 31 March 2001
	£000	£000	£000	£000	£000	£000
By Property Type						
Residential	–	–	–	2,104	2,243	3,233
Offices	16,846	22,535	13,801	11,808	5,616	15,350
Retail	4,035	8,527	8,333	9,835	7,898	13,934
Industrial	6,577	5,935	5,273	4,071	2,485	5,247
Total	27,458	36,997	27,407	27,818	18,242	37,764
By Activity						
Property Investments	25,932	33,230	24,686	25,139	15,536	33,431
Property Trading	1,526	3,767	2,721	2,679	2,706	4,333
Total	27,458	36,997	27,407	27,818	18,242	37,764

Analysis of Valuation of Completed Investment Properties

	March 2004	March 2003	March 2002	March 2001	March 2000	March 2001
	£000	£000	£000	£000	£000	£000
Residential	–	–	–	–	39,697	–
Offices	161,903	227,790	218,402	101,388	98,478	101,388
Retail	57,309	47,260	117,898	121,920	93,479	121,920
Industrial	98,241	58,771	66,886	66,876	37,992	66,876
Total	317,453	333,821	403,186	290,184	269,646	290,184

Key Profit and Loss Account and Balance Sheet Figures

	Year to 31 March 2004	Year to 31 March 2003 restated	Year to 31 March 2002	Year to 31 March 2001	Year to 31 March 2000	18 months ended 31 March 2001
	£000	£000	£000	£000	£000	£000
Operating profit	34,432	32,545	25,268	24,587	15,137	34,299
Profit before interest and tax	36,526	34,911	27,954	40,759	23,783	52,591
Profit before tax						
Revenue	14,125	15,005	13,067	8,224	9,882	12,852
Capital	1,576	1,552	2,083	13,449	3,314	14,320
Total	15,701	16,557	15,150	21,673	13,196	27,172
Properties	334,930	379,865	456,560	321,658	343,858	321,658
Fixed assets	420,265	378,748	430,578	379,691	354,674	379,691
Pre FRS 19 shareholders' funds	251,343	221,821	215,720	211,294	172,504	211,294
FRS 19 adjustment	(5,092)	(4,328)	(4,837)	(3,681)	(3,171)	(3,681)
Equity shareholders' funds	246,251	217,493	210,883	207,613	169,333	207,613
Adjusted earnings per share						
	p	p	p	p	p	p
Revenue	24.54	23.32	21.42	15.61	15.50	22.56
Capital	1.77	3.08	3.56	24.78	5.82	25.88
Total	26.31	26.40	24.98	40.39	21.32	48.44
Dividends per share	17.00	16.00	15.00	14.00	13.70	21.00
Adjusted net assets per share	498	440	423	404	324	404
Triple net assets per share	475	415	403	384	277	384

The Company changed its year end to 31 March in 2001. The 4th and 5th 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. The figures prior to 2003 have not been adjusted for the changes resulting from the adoption of UITF Abstract 37 (Purchases and Sales of Own Shares) and UITF Abstract 38 (Accounting for ESOP Trusts).

Assets Under Management

Location	Property	Tenure	Use	Area sq m	Area sq ft
Core Portfolio					
Abingdon	Units 3/13 Eyston Way	Leasehold	Industrial	7,525	81,008
Addlestone	Osprey House	Freehold	Retail/Offices	764	8,229
Amersham	Mandeville House	Freehold	Offices	883	9,513
Ashford	1/5 King's Parade	Freehold	Retail	616	6,636
Basingstoke	Scott House, Basing View	Leasehold	Offices	3,016	32,469
Bedworth	Bayton Road Industrial Estate	Freehold	Industrial	7,007	75,427
Birmingham	100 Hagley Road	Leasehold	Offices	3,060	32,943
Blackpool	Palentine Buildings	Freehold	Retail	4,770	51,350
Bradford	Euroway Trading Estate	Freehold	Industrial	8,692	93,566
Bradford	CGU Building, St James Business Park	Freehold	Offices	2,412	25,970
Brighton	Olivier House	Freehold	Offices	2,386	25,682
Bristol	Westgate	Freehold	Offices	8,446	90,924
Bromley	Lancaster House	Freehold	Offices	1,298	13,978
Bromley	Crosby House	Freehold	Offices	1,995	21,474
Colchester	Charter Court	Leasehold	Offices	2,744	29,543
Coventry	Site F, Leofric Business Park	Freehold	Industrial	3,433	36,594
Derby	Chequers Lane	Freehold	Industrial	3,808	41,001
Durham	Bridge House	Freehold	Retail	1,644	17,701
Eastleigh	Allders House	Freehold	Offices	2,359	25,788
Edgbaston	23/24 Highfield Road	Leasehold	Offices	1,116	12,015
Erdington	125/135 High Street	Freehold	Retail	3,076	33,114
Erith	Europa Trading Estate	Freehold	Industrial	33,242	357,833
Exeter	Marsh Barton Industrial Estate	Freehold	Industrial	3,850	41,446
Falmouth	52/55 Market Place	Freehold	Retail	736	7,925
Glasgow	Park House, Park Place	Freehold	Offices	3,870	41,704
Glasgow	158/160 West George Street	Freehold	Offices	1,545	16,632
Guildford	Beaufort House, Chertsey Street	Freehold	Offices	2,127	22,898
Harlow	Cramond Park	Freehold	Industrial	5,775	62,163
Harrow	Spencer House	Freehold	Offices	1,433	15,427
Hereford	57/58 Commercial Street	Freehold	Retail	268	2,891
Hertford	Foxholes Business Park	Freehold	Industrial	2,023	21,785
Hinckley	Harrowbrook Industrial Estate	Freehold	Industrial	15,059	162,106
Horsham	Springfield House	Leasehold	Offices	2,286	24,605
Leicester	Albion House	Freehold	Offices	758	8,166
Leicester	Wellington Street	Freehold	Offices	4,574	49,239
Leicester	St John's House	Freehold	Offices	4,602	49,543
Liverpool	14/26 Williamson Street	Leasehold	Retail	3,907	42,058
London E1	122 Whitechapel High Street	Freehold	Offices	263	2,841
London NW10	291 Abbey Road/2-4 Penny Road	Freehold	Industrial	2,158	23,236
London E1	126/127 Whitechapel High Street	Freehold	Offices	475	5,117
London E1	Oceanair House and Cardigan House	Leasehold	Offices	2,825	30,412
London E17	101A Blackhorse Lane	Freehold	Industrial	1,918	20,656
London N1	Islington High Street	Freehold	Retail	2,257	24,301
London NW10	The Royals	Freehold	Industrial	2,125	22,879
London NW10	Abbot House	Freehold	Industrial	3,048	32,810
London SW8	66 South Lambeth Road	Freehold	Offices	2,005	21,591
London W3	152 Dukes Road	Freehold	Retail	2,967	31,938
Long Eaton	59/67 Main Street	Freehold	Retail	2,125	22,875
Luton	Units 1-16 Scott Road Industrial Estate	Leasehold	Industrial	7,625	82,085

Assets Under Management continued

Location	Property	Tenure	Use	Area sq m	Area sq ft
Core Portfolio continued					
Luton	Wingate Road	Freehold	Retail	2,352	25,328
Luton	2/32 Beechwood Road	Freehold	Retail	3,004	32,340
Malton	5 Wheelgate	Leasehold	Retail	204	2,200
Manchester	Norfolk House	Freehold	Offices	5,050	54,358
Manchester	67/73 (Odd) Mosley Street	Freehold	Offices	2,085	22,453
Milton Keynes	Tanners Drive	Freehold	Industrial	2,226	29,369
Milton Keynes	Libra	Freehold	Industrial	10,686	115,032
Newcastle Upon Tyne	30 Cloth Market	Leasehold	Offices	2,994	32,230
Northampton	Units 5A and 5B Saddleback Road	Freehold	Industrial	3,305	35,577
Northampton	Mansard Close	Freehold	Industrial	2,539	27,332
Purley	Purley Pt. 19 Purley Road	Freehold	Offices	2,167	23,330
Reading	350 Basingstoke Road	Freehold	Offices	4,659	50,156
Redhill	St Pauls House	Freehold	Offices	4,554	49,025
Richmond	Sovereign Gate	Freehold	Offices	2,106	22,670
Romford	30/36 Market Place	Freehold	Retail	3,306	35,593
Rugby	Unit E Swift Park	Freehold	Industrial	7,583	81,622
Rugby	30/32 High Street	Freehold	Retail	2,625	28,266
Rugby	Unit D Swift Park	Freehold	Industrial	3,777	40,662
Sevenoaks	16 South Park	Freehold	Offices	1,849	19,912
Sheffield	St Mary's Road	Freehold	Retail	3,378	36,370
Solihull	Avon House, Shirley	Freehold	Offices	1,739	18,720
Southampton	12/16 Above Bar	Leasehold	Retail	647	6,972
St Albans	Ridgemount Plaza	Freehold	Offices	1,659	17,866
Stevenage	Stevenage Motorway Estate	Freehold	Industrial	1,579	16,998
Stevenage	Warehouse Unit Babbage Road	Freehold	Industrial	5,653	60,861
Stockport	Stockport Road	Freehold	Retail	2,626	28,275
Swindon	Bridge House, 45 Farrington Road	Freehold	Offices	5,574	60,000
Swindon	South Marston One	Freehold	Industrial	7,128	76,734
Tunbridge Wells	Cornhill House	Freehold	Offices	1,414	15,225
West Bromwich	Dartmouth Road	Leasehold	Industrial	4,140	44,572
West Bromwich	Guardian House	Freehold	Offices	3,876	41,724
Whiston	Units 1 and 2 Fallows Way	Leasehold	Industrial	12,623	135,885
Winchester	Staple House	Freehold	Offices	1,388	14,942
Woking	Steward House	Freehold	Offices	981	10,561
Woking	AMD House, Goldsworth Road	Freehold	Offices	1,079	11,621
Woking	Goldvale House	Freehold	Offices	1,963	21,133
Wokingham	19/21 Denmark Street	Freehold	Retail	804	8,657
Worthing	MFI, Ham Road	Freehold	Retail	3,541	38,119
Wythenshawe	Millbrook Industrial Estate	Leasehold	Industrial	5,151	55,456
Skipper Offices Limited (Skipper Regional Office Fund)					
Bournemouth	Holland House	Freehold	Offices	7,449	80,187
Edinburgh	Apex 123	Freehold	Offices	8,870	95,482
Glasgow	225/255 Bath Street	Freehold	Offices	8,183	88,084
Kingston upon Thames	Surrey House and Lever House	Freehold	Offices	14,375	154,752
Leeds	Yorkshire House	Freehold	Offices	7,146	76,927
Solihull	Sapphire Court	Freehold	Offices	8,132	87,541

Assets Under Management continued

Location	Property	Tenure	Use	Area sq m	Area sq ft
Fairway Industrial Limited (Radial Distribution Fund)					
Bristol	Western Approach	Freehold	Industrial	22,678	244,113
Coleshill	Plot 1 and 2 Gorsey Lane	Leasehold	Industrial	24,263	260,884
Coleshill	Plot 3 Gorsey Lane	Freehold	Industrial	11,170	120,238
Leicester	Interlink Park, Bardon	Leasehold	Industrial	21,159	227,763
Manchester	Stakehill	Freehold	Industrial	9,524	102,526
Tamworth	Relay Park	Freehold	Industrial	7,980	85,903
Weybridge	Brooklands Business Park	Freehold	Industrial	29,090	313,135
Yate	Great Western Business Park	Leasehold	Industrial	23,077	248,410
Agora Shopping Centres					
Birkenhead	Pyramids Shopping Centre	Freehold	Retail	13,000	143,000
Bolton	Market Place Shopping Centre	Leasehold	Retail	29,748	320,000
Ellesmere Port	The Port Arcades Shopping Centre	Leasehold	Retail/Off	27,615	297,248
Liverpool	Cavern Walks Shopping Centre	Freehold	Retail/Off	10,137	109,820
Middleton	Middleton Shopping Centre	Freehold	Retail	25,300	272,300
Preston	Fishergate Shopping Centre	Freehold	Retail	33,445	360,000
Sale	The Square Shopping Centre	Freehold	Retail	21,390	230,240
Bareway Industrial Properties Limited (Bareway Industrial Fund)					
Harlow	Roydonbury Industrial Estate	Freehold	Industrial	9,454	101,773
Norwich	Hellesdon Park Industrial Estate	Freehold	Industrial	11,647	125,380
Witney	Witan Park Industrial Estate	Freehold	Industrial	10,010	107,758

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		geared	53		
		total	2, 16		
		ungeared	53		

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.
Gearing 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 income from the associate), and income from joint ventures 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.
IFRS	International Financial Reporting Standards. These standards will be used for the consolidated financial statements for all listed groups in the EU for financial years beginning on or after 1 January 2005.
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 appended to the Listing Rules of the Financial Services Authority incorporating the recommendations of the Hampel, Cadbury and Greenbury Reports and having regard to the guidance issued on the wider aspects of internal control contained in the report of the Turnbull working Party. The Combined Code has been revised following the publication of the Higgs and Smith reports in January 2004 and the revised Code will apply for future financial years.
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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-ninth Annual General Meeting of Warner Estate Holdings PLC will be held at Claridge's, Brook Street, London W1A 2JQ on 9 September 2004 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 2004 be adopted.
- 2 That the Directors' Remuneration Report for the year ended 31 March 2004 be approved.
- 3 That a final dividend on the issued Ordinary shares of 8.75p per share in respect of the year ended 31 March 2004 be declared and be paid on 15 September 2004 to Shareholders on the register at the close of business on 27 August 2004.
- 4 That Mr W R Broderick be re-elected a Director of the Company.
- 5 That Mr G A Cooke be re-elected a Director of the Company.
- 6 That Mr R Moore be re-elected a Director of the Company.
- 7 That Mr J R Avery be elected a Director of the Company.
- 8 That PricewaterhouseCoopers LLP be re-appointed Auditors of the Company to hold office from the conclusion of this meeting 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.

Special Business

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

- 9 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 7,638,120 Ordinary shares of 5p each at a price not exceeding 5% 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; and
 - 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.
- 10 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 to allot relevant securities (within the meaning of Section 80(2) of the Act) of the Company up to an aggregate nominal amount of £452,261.50 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

- 11 That subject to the passing of Resolution 10 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 for cash pursuant to the authority conferred by the said Resolution 10 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 or other offer of equity securities 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 arrangements in connection with such offer 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 recognised regulatory body or any stock exchange, or any other matter whatsoever; and
 - (b) any other allotments of equity securities for cash up to an aggregate nominal amount of £127,386.90.

The power conferred on the Directors by this Resolution 11 shall also apply to a sale of treasury shares, which is an allotment of equity securities by virtue of Section 94(3A) of the Act, but with the omission of the words "pursuant to the authority conferred by the said Resolution 10".

- 12 That the Articles of Association of the Company be altered by:
- A replacing "£30,000" in article 87(A) with "£75,000";
 - B adding the following paragraph at the end of article 4(c):
"This article 4(c) shall also apply to a sale of treasury shares, which is an allotment of equity securities by virtue of section 94(3A) of the Act, but with the omission of the words "pursuant to the general authority conferred by paragraph (B)";
 - C inserting the words "(excluding any share of that class held as treasury shares)" in article 7(A) after the words "holders of at least three-fourths of the nominal amount of the issued shares of that class";
 - D inserting the words "(excluding any shares of that class held as treasury shares)" in article 68(iii) after the words "at least one-third of the nominal amount of the issued shares of that class";
 - E inserting the words "(excluding any shares of their class held as treasury shares)" in article 69(A)(ii) after the words "0.25% in nominal value of the issued shares of their class"; and
 - F inserting new article 144 as follows:
"144. President
The Directors may from time to time appoint a President of the Company (who need not be a Director of the Company) and may determine his duties and remuneration and the period for which he is to hold office."

By Order of the Board

V B Vaghela
Secretary
Nations House
103 Wigmore Street
London W1U 1AE
27 July 2004

Notice of Meeting continued

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 7 September 2004 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 7 September 2004 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 and the terms of appointment of the Non-executive Directors of the Company 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 at the place of the meeting 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.