

Directors

Swan Hill Group Plc. 559.73



EXECUTIVE DIRECTORS



J A Theakston, MA, MSc
Group Chief Executive
John Theakston, 48, was appointed Group Chief Executive on 1 January 1992 having joined the Group board in 1987 as Finance Director. He is a non-executive director of Black Sheep Brewery PLC.



C R H Archer, BA, FCA
Group Finance Director
Colin Archer, 51, joined the Group as Finance Director in 1989. He is a Fellow of the Institute of Chartered Accountants.



F J Low, BLE, ARICS
Fergus Low, 42, joined the Group as Managing Director of the UK Property Division in July 1998.

NON-EXECUTIVE DIRECTORS

G Duncan, BSc (Econ), MBA, FCA
Chairman
George Duncan, 67, has been an independent non-executive Chairman since 1993. He is also Chairman of Alldays plc, ASW Holdings PLC and Laporte plc and Deputy Chairman of Associated British Ports Holdings PLC. Mr Duncan is Chairman of the Remuneration and Nominations Committees.

Sir Idris Pearce, CBE, TD, DL, FRICS
Sir Idris Pearce, 67, has been an independent non-executive director since 1993. Sir Idris is Chairman of DUSCO (UK) Ltd and Unilodge Holdings (UK) Ltd, and a director of other public companies. He is Chairman of the two Swan Hill pension trustee companies.

ID Maclellan, MBA, FCA
Ian Maclellan, 53, has been an independent non-executive director since 1992 and is Chairman of the Audit Committee. Mr Maclellan is Chief Executive of Cape Plc.

Dr M C S Dixson, BA, MA, DPhil (Oxon), FRAeS
Dr Maurice Dixson, 59, has been an independent non-executive director since 1994. He is Chief Executive of Simon Group PLC. Before joining the Simon Group he was a director of The General Electric Company plc (1990-93) and Group Managing Director of its Electronic Metrology and Components Groups.

GROUP COMPANY SECRETARY

A G Confavreux, MA, FCIS, MCIM
André Confavreux is a Fellow of the Institute of Chartered Secretaries and was appointed as Group Company Secretary in 1995.

Registered Office:
Swan Court,
Waterman's Business Park,
Kingsbury Crescent,
Staines, Middlesex TW18 3BA
Incorporated in England
Registered No 55973

Directors' Report

for the year ended
31 December 2000

The directors present their report and the audited accounts for the year ended 31 December 2000.

Results and Dividends

The result before taxation is shown in the Group Profit and Loss account on page 28. The transfer from reserves in the year is £759,000 (1999 : £1,567,000 transfer to reserves). The directors recommend that a final dividend of 2.2p per Ordinary share be paid which, together with the interim dividend of 1.4p per Ordinary share, makes a total of 3.6p for the year. The final dividend, if approved, will be paid on 25 May 2001 to members on the register at the close of business on 6 April 2001.

Principal Activities and Business Review

The Group's business comprises housebuilding and property development in the United Kingdom; and property development in continental Europe. A more detailed report on the Group's activities and strategy is contained in the Chairman's Statement and the Operating and Financial Review on pages 5 to 14.

Directors

The current directors are listed on page 15. In accordance with the articles, C R H Archer, G Duncan and I D Maclellan retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. G Duncan and I D Maclellan have no service contract with the Company. C R H Archer has a service contract with the Company with a notice period of 2 years.

No director had any material interest in any contract of significance during the year to which the Company or its subsidiaries was party.

Interests of the directors (including those of their families) in the share capital of the Company are shown in Note 8 to the accounts. No director had any beneficial interest in the shares of any subsidiary company during the year.

D P Truslove resigned from the Company on 30 June 2000.

Substantial Shareholders Interests

At 21 February 2001 the following disclosures of interests pursuant to sections 198 and 208 of the Companies Act 1985 (as amended) in the Company's issued Ordinary share capital had been notified to the Company:

		% of capital
Chase Nominees Limited	10,446,839	17.5%
Nortrust Nominees Limited	9,753,100	16.4%
Phil drew Nominees Limited	9,262,636	15.5%
Bank of New York Nominees Limited	3,908,483	6.5%
HSBC Global Custody Nominees Limited	2,614,593	4.4%
Core Nominees Limited	2,550,000	4.3%

Share Capital

Movements in the Company's issued share capital are shown in Note 18 to the accounts.

Employees

The Board is committed to setting the highest standards of integrity throughout the Group. Its personnel policies are set out in the Group's standard terms and conditions of employment.

Great importance is placed by the Group on employee communication and involvement. Information concerning the Group is provided to employees through normal management channels and briefings as well as through regular circulars and by the distribution to employees of the annual report and accounts and the interim statement. In addition, pension newsletters are sent periodically to all employees in the pension scheme, as well as to pensioners.

The Company is committed to the provision of appropriate training and to help employees acquire the skills and experience which enable them to fulfil their role and to develop their potential.

The Company offers various share option and long term incentive schemes, details of which are given in Note 9 to the accounts.

The Company provides private medical insurance cover for all full-time members of staff and their eligible dependants.

Swan Hill Group, which employs the Group's personnel in the United Kingdom, operates a policy of equal opportunity. No job applicant or employee is to be treated less favourably than another on the grounds of sex, marital status, race, nationality, ethnic origin, colour, age or religious belief.

Within the limitations of its trading activities, it is the Company's policy to make every effort to engage disabled persons. If an employee becomes disabled during the period of employment every effort is made, through re-training if necessary, to enable the employee to remain with the Company. Opportunities for career development are available to all, including disabled persons.

Pensions

Swan Hill Group operates a contracted-out pension scheme on a final salary basis which is administered by a corporate trustee company.

The pension scheme provides equal benefits for men and women with a common normal retirement age of 63. Eligible scheme members are also covered under the Company's life assurance, personal accident and permanent health insurance arrangements.

Creditor Payment Policy

It is the Group's policy to agree payment terms with its suppliers, along with other terms and conditions, when it enters into binding purchase contracts. Its policy is to abide by the agreed payment terms provided that the supplier has delivered the goods or services in accordance with the terms and conditions of the contract. Company creditor days at 31 December 2000 were 22 (27). This figure is calculated by dividing

trade creditors by average daily purchases, after making relevant VAT adjustments. Creditor days reflect the credit periods actually given by suppliers.

Health & Safety

The Company's policy is to ensure the health, safety and welfare of everyone engaged in, or affected by, its activities. In particular, it emphasises the need to eliminate risks before accidents occur and before health is endangered. Health and safety specialists carry out regular audits together with the Group's insurance broker. There is a nominated director who reports regularly to the Board on health and safety matters.

Donations

During the financial year the Group and its Charitable Trust made charitable donations totalling £20,000 (£15,000).

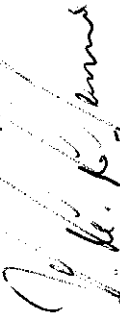
No political donations were made during the year.

Auditors

The Company's auditors, PricewaterhouseCoopers, are willing to continue in office and a resolution concerning their re-appointment and remuneration will be proposed at the annual general meeting.

Annual General Meeting

A separate circular accompanying this Report explains the special business to be considered at the annual general meeting which will be held at 12 noon at the Cadogan Hotel, 75 Sloane Street, London SW1X 9SG on 9 May 2001.



By Order of the Board
A G Confavreux
13 March 2001

Corporate Governance Compliance Statement

The directors of the Company are committed to the principles on which the "Combined Code" (the Code) on corporate governance is based and this statement describes the manner in which the Company has applied the principles and provisions of the Code during the year.

The directors believe that the Company complies with the principles and provisions of the Code with the following exceptions. Provision A.2.1 requires that there should be a senior independent non-executive director, other than the Chairman. The Board considers that the balance between three executive and four non-executive directors on the Board, including an independent non-executive Chairman, provides an appropriate balance of power and authority and consequently it is not planning to appoint a senior non-executive director. As regards provision B.1.7 (Term of Service Contracts) the Board has adopted this provision with the exception of the notice periods within the Service Contracts for J A Theakston and C R H Archer as detailed on page 22. It believes as part of its remuneration policy and in accordance with current industry practice that these periods are not exceptional.

The Board

The Board comprises three executive and four independent non-executive directors. It is responsible for corporate governance and meets regularly to receive the review reports from the directors and Board Committees. It determines overall Group strategy and approves annual profit and loss and cash flow budgets and monitors these, in conjunction with revised forecasts, at regular intervals against actual performance. It also monitors internal controls including the risks associated with the business. It sets limits for working capital and capital expenditure as part of the budgeting process and authorises major new projects or contractual obligations under the reserved powers procedures as well as significant financing matters. The Board considers and, if appropriate, approves external appointments of the executive directors and the terms of these.

There are three principal committees of the Board: the Audit, Remuneration and Nominations Committees.

Audit Committee

This committee is chaired by Mr I D MacLellan and comprises the non-executive directors with the Group Chief Executive and the Group Finance Director in attendance. It reviews both the internal and external accounting policies and practices adopted by the Group, taking into account the implications of any changes in accounting standards, the operation and effectiveness of the internal financial controls and considers the auditors' findings arising from the interim and final audits.

Remuneration and Nominations Committees

These committees are chaired by Mr G Duncan and comprise the non-executive directors. The Remuneration Committee assesses the performance of the executive directors so as to determine their annual remuneration and any bonus awards and share incentives. Changes in the membership of the Board are considered by the Nominations Committee prior to making recommendations to the full Board.

The constitution and operation of the Remuneration Committee complies with Schedule A of the Code. The Committee also confirms that full consideration has been given to Section B of the Code in determining the remuneration packages for directors.

A report from the Board on directors' remuneration and related matters may be found on pages 20 to 24.

Internal Controls

The directors are responsible for the Group's systems of internal controls which have been developed over a number of years and include a continuing process for evaluating and managing the risks faced by the Company. It should be understood that such a process is designed to manage, rather than to eliminate, risk to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

The internal controls include financial, operational and compliance controls and risk management which may be summarised as follows:

Strategic Review – The Group carries out periodic strategic reviews including consideration of business priorities and opportunities as well as longer term financial projections.

Organisation and Accountability – The organisational structure is clearly defined with a formal process in place to review operating business performance on a monthly basis.

Financial Reporting – There is a comprehensive budgeting system with the annual budget approved by the Board. The results of the business are reported monthly and compared with the budget. Revised forecasts are prepared regularly through the year encompassing both profit and loss and cash flow reporting.

Project Appraisal – The Group has clearly defined guidelines for approving new projects which are subject to detailed appraisal and review of the associated risks. Actual performance is measured periodically against the original or revised appraisals.

Operating Business Controls – There are various business controls and procedures in place including those of a financial, health and safety, environmental and insurance nature. These are monitored regularly and are adapted as appropriate. Group accounting policies for the business are set down in a manual. The Group's external auditors review certain internal financial controls as part of their audit and provide recommendations for improvements.

The Board have reviewed the operation and effectiveness of the internal controls including the need for an internal audit function. The Board believe that the Group is not of sufficient size and complexity to require such a function.

Going Concern

The Code requires that the Board should state in the Report and Accounts that the business is a going concern. It should be recognised that any consideration about the foreseeable future involves making a judgement, at a particular point of time, about future events which are inherently uncertain. After making enquiries, however, the Board have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Report of the Board on Remuneration and Related Matters

Remuneration Policy

The objective of the Group's remuneration policy is to pay salaries and benefits in line with other UK companies of a similar size and complexity. The remuneration of the executive directors is reviewed annually by the Remuneration Committee, which is made up of all the non-executive directors. It takes into account any responsibility changes since the last review and, from time to time, external independent advice as to salary levels appropriate to each director's responsibilities within the Group.

Details of the directors' remuneration are shown below:

	Salary and fees £'000	Benefits (iii) £'000	Bonuses (v) £'000	Total 2000 £'000	Total 1999 £'000
Executive					
J A Theakston	194	21	47	262	206
C R H Archer	148	19	36	203	161
F J Low (vi)	161	25	105	291	199
D P Truslove (i) (resigned 30 June 2000)	72	8	44	124	176
Non-executive					
G Duncan (iv)	61	0	0	61	57
M C S Dixon	20	0	0	20	19
Sir Idris Pearce	25	0	0	25	19
I D Maclellan	22	0	0	22	21
Aggregate emoluments for qualifying services	703	73	232	1,008	858

- (i) In addition Mr D P Truslove received £250,000 in compensation for loss of office.
- (ii) The remuneration table shown above excludes pension contributions paid by the Company.
- (iii) Benefits include provision of a company car and fuel, life insurance and private health insurance.
- (iv) In addition to the above, the Chairman is entitled to a bonus, based on a formula linked to the Company's share price, payable between 1995 and 2002.
- (v) These payments were made in the year and relate to the annual bonus for the year ended 31 December 1999 and an initial payment of the special bonus arrangements with F J Low referred to on page 22.
- (vi) Highest paid director.

Aggregate pension contributions paid by the Company total £221,000 (£148,000). Those for the highest paid director were £32,000 (£31,000). All company pension contributions are paid to the Swan Hill Pension Scheme, with the exception of payments of £18,000 (£17,000) to G Duncan, £68,000 (£24,000) to C R H Archer and £32,000 (£31,000) to F J Low. There are no unfunded pension arrangements.

Pensions

All the executive directors with the exception of F J Low are members of the Swan Hill Pension Scheme which is a defined benefits scheme. The following table shows the directors' own pension contributions, the increase in the accrued entitlement during the year and the accrued entitlement at the end of the year or at date of resignation.

Age at year end	Directors' own contributions in the year	Increase in accrued pension during the year*	Accumulated accrued pension at year end*
	£'000	£'000	£'000
J A Theakston 48	10	7	78
C R H Archer 51	7	2	34
D P Truslove 40 (resigned 30 June 2000)	4	5	32

* or at date of resignation

- (i) The increase in accrued pensions during the year excludes any increase for inflation.
- (ii) The accumulated total accrued pension entitlement is that which would be paid annually on retirement at age 60 on the assumption that service terminated at the end of the year, or at actual termination if earlier. Early payment of a deferred pension before age 60 is calculated by applying a reduction of currently 3% for each year between retirement and age 60. On death before or after retirement, a spouse's pension is payable at 50% of the director's pension. In the case of C R H Archer, benefits will be augmented to the Inland Revenue maximum. All pensions in excess of guaranteed minimum pensions in payment are guaranteed to increase in line with the annual rate of price inflation subject to a maximum increase of 4.5% p.a. on pension accrued to 5 April 1997, and 5% p.a. on pension accrued from 6 April 1997. Further increases can be paid at the discretion of the Trustee and the Company.
- Cash equivalent calculations take into account discretionary pension increases up to the level of inflation subject to a maximum of 5% p.a., the early retirement provision outlined above and discretionary dependants' pension.
- (iii) The directors have the option to pay Additional Voluntary Contributions but neither such contributions nor the resulting benefits are included in the table above.

Performance Related Bonus Scheme

The maximum bonus payable annually in arrears to executive directors under the Scheme is 25% of base salary. The level of bonus is split between a number of objectives including financial measures of the Group's performance.

The Company, following its announced change of strategy during 1999, entered into a special bonus arrangement with F J Low in order to facilitate the implementation of its strategy to realise the majority of its UK commercial portfolio over time in an effective manner. The retention and motivation of F J Low by way of this bonus arrangement is regarded by the Remuneration Committee as being essential to the achievement of optimum values from this strategy. The arrangements provide for a bonus to be paid related to the aggregate cash receipts generated by the disposal of properties within the UK commercial portfolio. Bonus starts to be earned at £20 million of cumulative proceeds. If aggregate proceeds of £65 million are achieved a cumulative bonus of £875,000 will be earned. If cumulative proceeds exceed £65 million because additional properties have been added to the UK commercial portfolio, F J Low will accrue bonus at a rate of 5% of the proceeds of the sale of those additional properties after development costs. Of the total potential bonus, £500,000 is related to the achievement of the last £10 million of proceeds between £55 million and £65 million. The provisions of this scheme will not be altered to F J Low's advantage (except for minor amendments in certain limited circumstances) without the prior approval of shareholders in general meeting.

F J Low was also a participant in the 1999 annual bonus scheme up to a maximum of 35% of base salary but is not eligible to participate in any future annual schemes. None of these bonus arrangements are pensionable.

Service Contracts

J A Theakston and C R H Archer have contracts with two-year periods of notice which is believed to be appropriate in the current commercial circumstances. It is Group policy for newly appointed executives to be offered service contracts with a notice period of up to one year. However, in exceptional circumstances it may be appropriate to offer initial notice periods of longer than one year to recruit new directors.

F J Low has entered into an agreement, supplementary to his existing service contract, which provides, inter alia, for a fixed term of employment to 31 October 2001. He retains the right to leave earlier, at his election, in certain circumstances including a change in the control of the Company. At his date of leaving, the Company is contracted to pay him a further twelve months salary and applicable pension together with applicable bonus at that date.

Share Schemes

Options granted to and exercised under the Company's Executive Share Option and Savings-Related Share Option Schemes and of the shares allocated under the Restricted Share Scheme are set out below. Details of the Option Schemes and the Restricted Share Scheme are shown in Note 9 to the accounts.

Directors' Share Options

	At 1 Jan 2000	Granted (Lapsed) in year	Exercised	At 31 Dec 2000	Exercise Price (p)	Date Exercisable	Expiry Date
J A Theakston							
ESOS	5,206	(5,206)	0	0	274.7	8.11.93	8.11.00
ESOS	37,097	0	0	37,097	274.3	29.5.94	29.5.01
ESOS No 2	200,000	0	0	200,000	58.0	3.5.96	3.5.03
ESOS No 2	75,000	0	0	75,000	127.0	25.4.97	25.4.04
SRSOS - 1993	27,043	0	0	27,043	62.4	1.11.04	1.05.05
	344,346	(5,206)	0	339,140			
C R H Archer							
ESOS	41,645	(41,645)	0	0	336.2	22.5.93	22.5.00
ESOS	35,549	0	0	35,549	274.3	29.5.94	29.5.01
ESOS No 2	100,000	0	0	100,000	58.0	3.5.96	3.5.03
ESOS No 2	50,000	0	0	50,000	127.0	25.4.97	25.4.04
	227,194	(41,645)	0	185,549			
F J Low							
SRSOS - 1993	0	28,698	0	28,698	58.8	1.11.05	1.05.06
D P Truslove							
ESOS	10,411	(10,411)	0	0	274.7	8.11.93	8.11.00
ESOS	2,000	(2,000)	0	0	87.0	25.10.97	25.10.04
SRSOS	1,811	(1,811)	0	0	79.5	7.8.99	7.2.00
SRSOS - 1993	3,363	(3,363)	0	0	80.0	7.9.99	7.3.00
SRSOS - 1993	18,412	(18,412)	0	0	71.2	7.12.02	7.6.03
SRSOS - 1993	6,490	(6,490)	0	0	62.4	1.11.04	1.05.05
	42,487	(42,487)	0	0			

The market price of the shares at 31 December 2000 was 68p and the range during 2000 was 63.5p to 90.5p

Restricted Share Scheme

	Number of Shares allocated				Range of value at vesting of total allocation* £'000
	At 1 Jan 2000	Allocated in year	Lapsed in year	At 31 Dec 2000	
J A Theakston	336,332	125,000	(20,346)	440,986	0-300
C R H Archer	266,292	125,000	(15,832)	375,460	0-255
F J Low	100,000	0	0	100,000	0-68
D P Trustlove	275,303	5,341	(280,644)	0	0
	977,927	255,341	(316,822)	916,446	

*The maximum value has been based on the share price as at 31 December 2000 (68p) and assumes full vesting.

Subject to the conditions being met, shares vest either 3 or 4 years after date of allocation.

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 affairs of the Company and of the Group at the end of the year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required:

- (i) to select suitable accounting policies and then apply them consistently;
- (ii) to make judgements and estimates that are reasonable and prudent;
- (iii) to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- (iv) to 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.

Auditors' Report

To the Members of Swan Hill Group PLC

We have audited the financial statements on pages 28 to 53.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 24, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

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

We review whether the statement on page 18 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

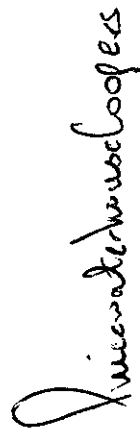
Basis of Audit Opinion

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 misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

No 1 London Bridge

London SE1 9QL

13 March 2001

Accounting Policies

Basis of Accounting

The accounts have been prepared in accordance with the requirements of the Companies Act 1985 using the historical cost basis of accounting modified to include the revaluation of certain assets and in accordance with applicable accounting standards in the United Kingdom.

The principal accounting policies, which have been applied consistently, are set out below.

Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries drawn up to 31 December 2000. In accordance with Section 230 of the Companies Act 1985 a separate Profit and Loss Account for the parent Company has not been presented.

Purchases of companies are accounted for under the acquisition method. Goodwill arising on consolidation in respect of acquisitions prior to 1 January 1998 has been written off to reserves. Following the issuance of FR510, goodwill will be capitalised and then amortised over its useful economic life for future acquisitions.

Turnover

Turnover comprises the sales value of houses exchanged which are substantially complete. Turnover also comprises the sales value of property developments in the course of development and property rents receivable. Turnover is reported net of value added tax.

Pensions

During the year the Group operated a final salary pension scheme covering all eligible staff employees. The scheme's funds are administered by the Trustee and are independent of the Group's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries to provide retirement benefits based on projected final salaries. Company costs relating to the final salary scheme are charged to the profit and loss account so as to spread the cost of pensions over the average expected

working life of employees who are members of the scheme, whilst they are working for the Company.

Contributions to personal pension schemes are charged to the profit and loss account in the year in which they are payable.

Depreciation

This is provided under the straight line method at the following rates to write off the depreciable element of the cost or valuation of the Group occupied freehold and leasehold properties and the cost of plant and equipment over their expected useful lives:

Group occupied properties	2%
Short leasehold properties	over the term of the lease
Plant and machinery	12½ – 33⅓%
Fixtures and fittings	10 – 33⅓%

The same depreciation criteria are applied to assets acquired under finance leases as to those assets owned by the Group.

The land upon which the Group occupied properties stand is not depreciated. In addition, no depreciation is provided for freehold and long leasehold investment properties not occupied by the Group. In the opinion of the directors, this departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated, is necessary for the accounts to show a true and fair view in accordance with applicable accounting standards. Depreciation is one of the many factors reflected in the annual valuation of investment properties and this cannot reasonably be separately identified or quantified.

Leased Assets

Costs of operating leases are charged to the profit and loss account as they are incurred.

Stocks

Work in progress on commercial and residential developments is valued at the lower of cost and net realisable value.

Investments

The interest of the Group in associated companies is stated using the equity accounting method. The interest of the Group in joint ventures is stated using the gross equity accounting method. The Group's share of the results is included in the profits or losses on ordinary activities before taxation based on audited accounts.

Deferred Taxation

Deferred taxation arising as a result of timing differences between the profit as computed for taxation purposes and that stated in the accounts is provided under the liability method. No provision is made for taxation on net surpluses arising from the revaluation of investment properties.

Foreign Currencies

Balance sheets of overseas subsidiaries are translated into sterling at the rate of exchange ruling at 31 December each year and trading profits or losses are converted at average rates prevailing during the accounting period. Surpluses or deficits arising therefrom are taken directly into reserves. Realised gains or losses on exchange are included in the profit or loss on ordinary activities before taxation unless they arise from hedging transactions relating to investments in overseas subsidiaries, when they are taken directly into reserves.

Group Profit and loss Account

for the year ended
31 December 2000

	Note	2000 £'000	1999 £'000
Turnover	1	59,582	70,582
Operating profit before exceptional items	1, 6	7,575	6,453
Reorganisation and other costs	1	(635)	0
Operating profit	6	6,940	6,453
(Loss)/profit on disposal of property and other fixed assets	6	(719)	25
Loss on disposal of discontinued operations	6	(2,425)	(1,578)
Profit on ordinary activities before interest	1	3,796	4,900
Net interest payable and similar charges	2	(1,453)	(881)
Profit on ordinary activities before tax		2,343	4,019
Taxation on ordinary activities	3	(974)	(407)
Profit on ordinary activities after tax		1,369	3,612
Dividends – equity and non equity	4	(2,128)	(2,045)
Retained (loss)/profit	19	(759)	1,567
Basic earnings per Ordinary share	5	2.3p	5.4p
Diluted earnings per Ordinary share	5	2.3p	5.4p
Basic earnings per Ordinary share excluding discontinued operations	5	6.4p	8.4p

Profit before tax includes £85,000 (£0) being the share of profits from associated companies and joint ventures.

Turnover and operating profit in 2000 derive wholly from continuing operations. Turnover in 1999 represented £70,190,000 from continuing operations and £392,000 from discontinued operations. Operating profit in 1999 represented £6,880,000 from continuing operations less a loss from discontinued operations of £(427,000).

Historical cost profits and losses do not differ materially from those disclosed above.

Balance Sheets

as at

31 December 2000

	Note	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Fixed assets	10	1,932	12,082	106	130
Tangible assets					
Investments	11			100	100
Investments in associates and joint ventures					
Share of gross assets		11,818	644		
Less: share of gross liabilities		(11,640)	(530)		
		178	114	100	100
Own shares		455	455	455	455
Investment in subsidiary companies		0	0	16,666	16,666
		633	569	17,221	17,221
		2,565	12,651	17,327	17,351
Current assets					
Stocks	12	87,740	86,450	0	0
Debtors: Amounts falling due within one year	13	10,986	12,428	78,415	81,635
Debtors: Amounts falling due after one year	14	10,591	262	0	0
Cash at bank and in hand		393	447	0	0
		109,710	99,587	78,415	81,635
		(36,854)	(32,366)	(23,306)	(21,972)
Creditors: Amounts falling due within one year	15				
		72,856	67,221	55,109	59,663
Net current assets					
		75,421	79,872	72,436	77,014
Total assets less current liabilities		(694)	(828)	0	0
Provision for liabilities and charges	17				
Net assets		74,727	79,044	72,436	77,014
Represented by:					
Capital and Reserves					
Called up share capital	18	14,910	16,169	14,910	16,169
Share premium account	19	43,085	43,082	42,886	42,883
Capital redemption reserve	19	2,432	1,171	2,432	1,171
Other reserves	19	21	21	0	0
Profit and loss account	19	14,279	18,601	12,208	16,791
		74,727	79,044	72,436	77,014
Equity shareholders' funds	20				

Approved by the Board of Directors on 13 March 2001

G Duncan, Director

C.R. Archer, Director

Group Cash Flow Statement

for the year ended
31 December 2000

	Note	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Net cash (outflow)/inflow from operating activities	23(a)		(9,121)		3,414
Dividends received from joint ventures and associates			0		7
Returns on investments and servicing of finance					
Interest received		58		101	
Interest paid		(1,522)		(856)	
Dividends paid on non-equity shares		(0)		(13)	
Taxation			(1,464)		(768)
			(515)		61
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(607)		(954)	
Disposal of tangible fixed assets		10,579		1,455	
Disposal of own shares		0		121	
			9,972		622
Acquisitions and disposals					
Net proceeds from sale of subsidiaries			0		7,334
Equity dividends paid			(2,027)		(2,050)
Cash (outflow)/inflow before financing			(3,155)		8,620
Financing					
Issues of shares		5		0	
Purchase of own shares		(4,238)		(2,682)	
Decrease in debt due within one year		(2,034)		0	
			(6,267)		(2,682)
Cash flows for the year			(9,422)		5,938
Opening net overdraft			(9,270)		(15,365)
Translation differences			0		157
Closing net overdraft			(18,692)		(9,270)
Net overdraft			(18,692)		(9,270)
Debt due within one year			(3,640)		(5,681)
Total net borrowings			(22,332)		(14,951)

Group Statement of Total Recognised Gains and Losses

	2000	1999
	£'000	£'000
Profit on ordinary activities after tax	1,369	3,612
Revaluation gain realised	550	0
Translation differences on foreign currency net investments	289	(1,255)
Hedging differences on foreign currency borrowings	(164)	931
Total gains and losses recognised in the year	2,044	3,288

Notes to the Financial Statements

1. SEGMENTAL ANALYSIS

	2000 £'000	1999 £'000
Turnover – by principal activity		
Housing	40,300	42,985
Property	19,282	27,205
Continuing operations	59,582	70,190
Discontinued operations	0	392
	59,582	70,582
Turnover – by geographical area		
United Kingdom	55,778	70,086
Rest of European Union	3,804	496
	59,582	70,582
Operating profit – by principal activity		
Housing	8,627	6,247
Property	206	1,793
Group costs	(1,258)	(1,160)
Operating profit before exceptional items	7,575	6,880
Reorganisation and other costs	(635)	0
Operating profit	6,940	6,880
Disposal of property and other fixed assets	(719)	25
Continuing operations	6,221	6,905
Discontinued operations	(2,425)	(2,005)
Profit on ordinary activities before interest	3,796	4,900
Operating Profit – by geographical area		
United Kingdom	4,933	5,969
Rest of European Union	121	91
	5,054	6,060
Group costs	(1,258)	(1,160)
Profit on ordinary activities before interest	3,796	4,900
Operating profit from continuing operations (as above)	7,575	6,880
Net interest payable	(1,453)	(881)
Trading profit from continuing operations	6,122	5,999

1. SEGMENTAL ANALYSIS (Continued)

	2000 £'000	1999 £'000
Net assets – by principal activity		
Housing	67,021	50,049
Property	32,126	42,603
Group and other	(2,088)	1,343
	97,059	93,995
Net bank borrowings	(22,332)	(14,951)
Net assets	74,727	79,044
Net assets – by geographical area		
United Kingdom	91,612	85,193
Rest of European Union	5,447	8,802
	97,059	93,995
Net bank borrowings	(22,332)	(14,951)
Net assets	74,727	79,044

Reorganisation and other costs of £635,000 comprise £510,000 relating to Group costs including the merger of group and housing management and £125,000 relating to the withdrawal from property activities.

The geographical analysis of turnover by destination is not materially different from the analysis by geographical origin shown above.

2. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
Interest payable on:		
Bank loans and overdrafts	1,438	890
All other loans	0	1
Interest receivable	1,438 (63)	891 (101)
Unwinding of discount in lease provision	1,375 78	790 91
	1,453	881

3. TAXATION

Taxation charge on profit on ordinary activities comprises:

UK corporation tax at the rate of 30.00% (30.25%) based on the taxable result for the year

In respect of prior years

Tax payable on associated undertakings' profits

	2000 £'000	1999 £'000
	1,067	441
	(125)	(44)
	21	0
Overseas taxation – current	963	397
– relief for overseas tax	48 (37)	45 (35)
	974	407

4. DIVIDENDS

On non-equity Preference shares:			
4.9p paid per share			
On equity Ordinary shares:			
Interim paid 1.4p per share (1.3p)			
Final proposed 2.2p per share (2.0p)			
	2000	1999	
	£'000	£'000	
	0	12	
	828	834	
	1,300	1,199	
	2,128	2,045	

5. EARNINGS PER SHARE

The basic earnings per Ordinary share is calculated in accordance with FRS14 on the profit for the year (before dividends on Ordinary shares) of £1,369,000 (£3,600,000) and 59,722,000 (66,926,000) being the weighted average number of Ordinary shares in issue less the weighted average of those owned by the Employee Share Trust.

The calculation of diluted earnings per Ordinary share is adjusted further by a factor representing the difference between the average market price of shares in the year and the option price of shares under option where the average market price is greater than the option price. This amounted to 117,000 (45,000) shares.

The basic earnings per Ordinary share excluding discontinued operations is calculated on the profit for the year from continuing operations (before dividends on Ordinary shares) of £3,794,000 (£5,605,000) and 59,722,000 (66,926,000), being the weighted average number of Ordinary shares in issue less the weighted average of those owned by the Employee Share Trust.

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

(a) Operating profit

2000	1999
£'000	£'000

Operating profit is derived as follows:

Turnover

Cost of sales

Gross profit

Administrative expenses

Operating profit

Turnover and cost of sales in 1999 included £392,000 and £443,000 respectively from discontinued operations with a resultant loss of £51,000 from discontinued operations included within gross profit. Administrative expenses included £376,000 from discontinued operations with a resultant loss of £427,000 from discontinued operations included within operating profit.

Operating profit is stated after crediting:

Operating rents receivable (net of outgoings)

and after charging:

Depreciation of fixed assets

Loss on disposal of fixed assets

Auditors' remuneration – audit services

– other services

Hire of plant on operating leases

Other operating lease rentals

Directors' emoluments (excluding pension contributions)

Audit fees payable by Swan Hill Group PLC total £40,000 (£35,000).

1,148	1,950
239	337
17	29
108	112
246	440
311	406
818	824
1,258	858

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX (Continued)

(b) Disposal of property and other fixed assets

The loss on disposal of property and other fixed assets of £719,000 includes a loss of £298,000 relating to Cygnet Corporate Centres Limited. This loss was offset by a credit of £550,000 direct to reserves in respect of the realisation of past revaluation surpluses.

Cygnet Corporate Centres Limited was sold for £5,884,000 (net of associated costs) on 17 January 2000. The net assets disposed of were as follows:

	£'000
Fixed assets	6,188
Current assets	40
Current liabilities	(46)
	6,182
Loss on disposal	(298)
Net proceeds from transaction	5,884

(c) Loss on disposal of discontinued operations represents:

	2000	1999
	£'000	£'000
Loss on disposal of Carter Commercial Developments	0	1,251
Settlement in relation to Brook House construction contract claim	2,425	327
	2,425	1,578

7. EMPLOYEE INFORMATION

(a) The average number of persons employed by the Group during the year are analysed below:

	2000 Numbers	1999 Numbers
Housing	106	109
Property	16	42
	122	151

(b) Group employment costs:

Gross salaries and wages	£'000	£'000
	4,173	4,774
Employer's National Insurance Contributions or foreign equivalents	436	485
Employer's pension costs	796	535
	5,405	5,794

During the year, the Group operated a final salary pension scheme which was open to eligible employees. The Company pays contributions to the fund in order to provide security for existing pensions and the accrued benefits of current and former employees.

The charge to the profit and loss account is such as to spread the cost of pensions over the working lives of employees who are members of the Scheme. The cost of accruing benefits for the year was £679,000 (£633,000). The charge is adjusted by the amortisation over the future average working lifetime of current members of any past service surplus or deficit that has not been previously recognised in the pension provision included in creditors. This leads to a reduction of £25,000 (£196,000) for the year, resulting in a pension charge of £654,000 (£437,000). The charge has been determined on the advice of qualified actuaries, who are partners of Watson Wyatt Partners, and is based on the most recent actuarial valuation of the Scheme, which took place as at 5 April 1999 using the projected unit method. The most significant long-term actuarial assumptions were that the rates of return on new and existing investments would be 5.75% per annum and 5.25% per annum respectively, the rate of increase in pay levels would be 4.5% per annum and the rate of pension increases would be 2.5% per annum. Assets were valued at market value. Company contributions amounted to £710,000 (£548,000) for the year. An amount of £705,000 (£769,000) which represents accumulated pension costs in excess of Company contributions has been included in creditors.

The results of the actuarial valuation showed that the value of the assets at 5 April 1999 represented 100% of the value of the accrued benefits, after allowing for expected future increases in earnings. The market value of the Scheme's assets was £54.2 million at 5 April 1999.

The Company's contributions of £142,000 (£98,000) to personal pension schemes are charged to the profit and loss account in the year in which they are payable.

8. DIRECTORS' INFORMATION

(a) Remuneration

This is shown in the Report of the Board on Remuneration and Related Matters on page 20.

(b) Directors' beneficial interests in Ordinary shares

	As at 1 January 2000	As at 31 December 2000
	Number	Number
G Duncan	20,000	20,000
J A Theakston	29,542	29,542
C R H Archer	1,927	1,927
Dr M C S Dixon	10,000	10,000
F J Low	Nil	Nil
I D Macdellan	6,000	6,000
Sir Idris Pearce	1,500	1,500

In addition details of Directors' share options and restricted share allocations are shown in the Report of the Board on Remuneration and Related Matters on page 23 and 24. There are no non-beneficial interests held by directors other than as directors of the Swan Hill Share Scheme Trustees Limited as set out in Note 9.

No changes in directors' interests took place between 1 January and 13 March 2001 inclusive.

9. SHARE OPTION SCHEMES

The Board recognises the importance of encouraging employees to have the opportunity to participate in the Company's affairs. Accordingly it offers a convenient and tax effective way to save and acquire Ordinary shares with the Savings-Related Share Option Schemes. It has also introduced the Restricted Share Scheme to motivate executives through direct association with the success of the Group. This replaced the existing Executive Share Option Scheme and links potential reward more closely with the Company's performance against that of its peer group.

The outstanding share options as at 31 December 2000 are as follows:

	Exercisable	Option price (p)	Number of shares
Swan Hill Group PLC 1993 Savings-Related Share Option Scheme (SRSOS)			
	7.8.01	78.4	9,768
	7.12.02	71.2	31,007
	1.6.03	66.8	78,291
	1.11.04	62.4	91,940
	1.11.05	58.8	195,135
Swan Hill Group Executive Share Option Scheme (ESOS)			
	29.5.94 to 29.5.01	274.3	72,646
	25.10.97 to 25.10.04	87.0	42,000
Swan Hill Group PLC Executive Share Option Scheme No. 2 (ESOS No. 2)			
	3.5.96 to 3.5.03	58.0	308,000
	25.4.97 to 25.4.04	127.0	125,000
			953,787

The Swan Hill Group PLC 1993 Savings-Related Share Option Scheme was adopted by the Company on 8 June 1993. The options granted under this Scheme are normally exercisable following the fifth anniversary of the date on which the related savings contract commenced.

The Swan Hill Group Executive Share Option Scheme and the Swan Hill Group PLC Executive Share Option Scheme No. 2 were adopted by the Company on 14 June 1985 and 5 April 1993 respectively. Options granted under these Schemes are normally exercisable in whole or in part between the third and the tenth anniversaries of the date of grant.

9. SHARE OPTION SCHEMES *(Continued)*

Employee Share Trust

The Swan Hill Group PLC Employee Share Trust (the "Trust") is a discretionary trust which was established on 5 April 1993 for the benefit of employees of the Group. Swan Hill Share Scheme Trustees Limited, a wholly owned subsidiary of the Company, is the sole trustee of the Trust, the directors of which are the non-executive directors of Swan Hill Group PLC.

In conjunction with the Trust the Company also established the Swan Hill Group PLC Executive Share Option Scheme No. 2 (the "Scheme"). The Scheme has been approved by the Inland Revenue. The exercise of options granted under the Scheme may be satisfied by the transfer of shares held by the Trust to beneficiaries. The Company may make loans to the Trust to enable the Trust to purchase and hold on trust Ordinary shares in the Company on behalf of the beneficiaries.

The Company has made interest free loans of £473,000 to the Trust, repayable upon demand, which the Trust has used to purchase Ordinary shares of the Company. The Trustees have waived dividends to all except 0.001p per share on these shares. The Trust currently holds 537,500 Ordinary shares of the Company, over which there are outstanding options relating to 433,000 shares. The proceeds received by the Trust on the transfer of shares to employees, following the exercise of options, must be used by the Trust to repay the loan to the Company.

Restricted Share Scheme

The Company adopted a new long term incentive scheme on 6 June 1995. Under this Scheme, annual awards of restricted shares may be made to senior executives. The Scheme provides for an allocation of shares to directors and executives, as determined by the Remuneration Committee. Between 1995 and 2000, 44 participants were allocated a total of 2,573,055 restricted shares, which included the executive directors. Of these allocations 1,199,486 have lapsed, leaving a balance outstanding of 1,373,569. The number of shares allocated to each executive director and their value is shown in the Report of the Board on Remuneration and Related Matters on page 24.

Vesting of these shares depends on the Company's performance. The Company's performance is measured over a 3 or 4 year period using Total Shareholder Return (TSR), a basis used by many other companies. This TSR is compared to a peer group of some 25 companies. If the Company's TSR is equal to the median of the peer group, 25% of the allocation vests rising to 100% if the Company's TSR reaches the upper quartile. Participants are required to hold a proportion of such shares for a minimum of 2 years from the date of vesting.

The performance is first measured after 3 years. If it fails to achieve the median of the peer group TSR, it is re-measured after 4 years. Should it fail again, the award lapses in total.

10. TANGIBLE ASSETS

	Properties Freehold £'000	Properties Long Leasehold £'000	Properties Short Leasehold £'000	Fixtures and Fittings £'000	Total £'000
(a) The Group					
At 1 January 2000					
Valuation	10,214	281	0	0	10,495
Cost	713	0	1,041	1,046	2,800
Additions	10,927	281	1,041	1,046	13,295
Disposals	351 (10,115)	3 (284)	19 0	228 (316)	601 (10,715)
As at 31 December 2000	1,163	0	1,060	958	3,181
Being					
Valuation	1,162	0	0	0	1,162
Cost	1	0	1,060	958	2,019
	1,163	0	1,060	958	3,181
Depreciation					
At 1 January 2000	97	4	674	438	1,213
Charge for the year	15	0	73	151	239
Disposals	(57)	(4)	0	(142)	(203)
At 31 December 2000	55	0	747	447	1,249
Net book value					
At 31 December 2000	1,108	0	313	511	1,932
At 31 December 1999	10,830	277	367	608	12,082

10. TANGIBLE ASSETS (Continued)

(b) The freehold properties are incorporated at valuations made by a Chartered Surveyor who was an employee of the Group on an open market basis at 31 December 1998. The Directors are of the view that the values for these properties have not fallen subsequent to that date.

(c) The historical cost of all Group properties at 31 December 2000 amounted to £2,120,000 (£12,976,000) against which cumulative depreciation of £802,000 (£768,000) would have been provided under SSAP12.

	Fixtures and Fittings £'000
(d) The Company	
Cost at 1 January 2000	232
Additions	4
Net transfers to/from group companies	306
Disposals	(250)
At 31 December 2000	292
Depreciation at 1 January 2000	102
Charge for the year	64
Net transfers to/from group companies	110
Disposals	(90)
At 31 December 2000	186
Net book value	
At 31 December 2000	106
At 31 December 1999	130

11. FIXED ASSET INVESTMENTS

	Associates and Joint Ventures £'000	Own Shares £'000	Subsidiary Companies £'000	Total £'000
(a) The Group				
At 1 January 2000	114	455	0	569
Share of retained earnings	64	0	0	64
At 31 December 2000	178	455	0	633
(b) The Company				
At 1 January and 31 December 2000	100	455	16,666	17,221

(c) The following are the operating subsidiary companies of Swan Hill Group PLC at 31 December 2000 which principally affected the profits and assets of the Group. Those companies marked with an asterisk(*) are owned directly by Swan Hill Group PLC and the remainder by subsidiaries. All companies are incorporated in England, except where indicated, operate within their country of incorporation and are wholly owned.

Property Development

*Swan Hill Property Holdings Limited

Swan Hill Developments Limited

Swan Hill France SA (incorporated in France)

Housebuilding

*Swan Hill Homes Limited

Property Investment

Swan Hill Properties Limited

(d) Own shares are held by the Employee Share Trust (Note 9) and have a market value of £365,000 at 31 December 2000.

(e) The following are the principal associates and joint ventures of Swan Hill Group PLC at 31 December 2000.

	Proportion of share capital owned	Country of Incorporation and Operation	Total Issued Ordinary shares
Wellington Square Development Company Limited	50%	England	£100
Berkeley Hill Limited	50%	England	£200,000
Brewery Wharf (Leeds) Limited	50%	England	£1,000

The investment in Berkeley Hill Limited is held by the Company. The investment in the other associated and joint venture companies is held by subsidiaries.

12. STOCKS

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Residential developments	66,484	56,450	0	0
Commercial developments	21,256	30,000	0	0
	87,740	86,450	0	0

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Trade debtors	9,921	5,651	3	4
Amounts recoverable on contracts	0	3,842	0	3,842
Amounts owed by Group companies	0	0	78,105	77,424
Amounts owed by associates and joint ventures	126	473	0	0
Taxation recoverable	10	93	0	56
Other debtors	52	1,129	35	112
Prepayments and accrued income	877	1,240	272	197
	10,986	12,428	78,415	81,635

14. DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Amounts owed by associates and joint ventures	10,418	0	0	0
Other debtors	173	262	0	0
	10,591	262	0	0

11. FIXED ASSET INVESTMENTS (*Continued*)

The Group's investment in associated and joint venture companies of £178,000 (£114,000) reflects the Group's share of aggregate gross assets less gross liabilities in those companies of £11,818,000 (£644,000) less £11,640,000 (£530,000) respectively. Profits before tax include £85,000 (£0) being the share of profits from associated companies and joint ventures. The balances with associates and joint ventures are shown in Notes 13, 14 and 15.

The principal joint venture relates to the development of the retail town centre scheme in Stockton on Tees. This development is being progressed within a joint venture company, Wellington Square Development Company Limited, which is funded by loans from the partners and bank debt. The loans from the Group are included within debtors falling due after one year

The Group's share of the assets and liabilities of Wellington Square Development Company Limited as at 31 December 2000 are as follows:

Share of assets	£'000
Fixed assets	0
Current assets	11,416
	11,416
Share of liabilities	
Loans from the partners	(10,250)
Bank debt	(543)
Other creditors	(592)
	(11,385)
	31

All costs incurred by Wellington Square Development Company relate to the development at Stockton on Tees and are carried forward as work in progress.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Group	Company	Company
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (Note 16)	22,725	15,398	20,029	18,051
Payments received on account and advance payments	208	389	0	0
Trade creditors	7,041	9,255	80	247
Amounts owed to Group companies	0	0	869	883
Amounts owed to associates and joint ventures	91	85	91	85
Taxation on profits	761	406	0	0
Social Security and other taxation	34	35	0	0
Ordinary dividends payable	1,300	1,199	1,300	1,199
Pension fund accrual (Note 7)	705	769	705	769
Accruals and other creditors	3,989	4,830	232	738
	36,854	32,366	23,306	21,972

16. FINANCIAL INSTRUMENTS

(a) The group finances its operations through a mixture of shareholders' funds and bank borrowings. It maintains sufficient borrowing facilities for this purpose using financial instruments to manage the interest rate and currency risks that arise from those operations and from its sources of finance.

The overall objectives and strategy are to maintain flexibility using unsecured facilities with drawings of limited duration so that interest rates are normally fixed on a short-term basis. The Group has extended its euro borrowings for a further year to provide a partial hedge against the net assets invested in France and to benefit from lower interest rates.

The Board regularly reviews the amount drawn down under the borrowing facilities to ensure that gearing levels are appropriate to prevailing market conditions.

Short term debtors and creditors have been excluded from disclosures overleaf.

16. FINANCIAL INSTRUMENTS (*Continued*)

(b) Borrowing facilities

The Group has borrowings facilities as follows:

	2000	1999
Overdraft facilities	£'000	£'000
Committed facilities expiring end 2002	15,000	15,000
	20,000	20,000
Amounts drawn	35,000	35,000
	(22,725)	(15,398)
Amounts undrawn	12,275	19,602

These facilities are unsecured. The overdraft facilities are subject to annual review towards the end of each year. The committed facilities are subject to standard financial and other covenants which are tested twice yearly.

(c) Profile of net financial liabilities

The net financial liabilities at 31 December 2000 were as follows:

	Sterling £'000	Euro £'000	Total £'000
Drawings less offset deposits	19,084	3,641	22,725
Cash at bank and in hand	(1)	(392)	(393)
Total net financial liabilities	19,083	3,249	22,332
At 31 December 1999	9,664	5,287	14,951

The euro drawings have been made for a period of 12 months. The sterling drawings are on a short term basis and are offset by cash balances. At each drawdown the interest rate is fixed for the period of drawing at the then current rate. The weighted average interest rate for the year for sterling and euro borrowings was 6.7% and 5.1% respectively.

The Group seeks to mitigate the effect of currency exposure by borrowing in the same currency of its main operating unit overseas. The Group had non-financial net assets of £5,447,000 (£8,802,000) in France at 31 December 2000. The drawings in euros, therefore, provide a partial hedge against this investment. To the extent that the sterling conversion rate with the euro alters there is a consequential credit or charge to reserves. All other non-financial assets and liabilities are denominated in Sterling.

The Group did not use any other financial derivatives during the year.

In the opinion of the Directors there is no significant difference between the fair values and the book values of financial assets and liabilities.

17. PROVISIONS FOR LIABILITIES AND CHARGES

This represents the provision for obligations in respect of a leased property which is substantially unlet. £134,000 (£122,000) has been released to the profit and loss account during the year. There is no potential liability for deferred taxation.

18. CALLED UP SHARE CAPITAL

	£'000	Equity Ordinary Shares of 25p each 000's
Authorised	25,000	100,000
Issued, allotted and fully paid		
At 31 December 2000	14,910	59,642
At 31 December 1999	16,169	64,676

7,917 Ordinary shares were issued and allotted in respect of options exercised in 2000 for a total consideration of £5,000. The outstanding share options are detailed in Note 9.

During the year the Company acquired 5,042,381 of its own Ordinary shares for £4,238,000 at an average price of 83p per share (before dealing costs) under the authorities provided by shareholders. An amount of £1,261,000 equal to the nominal value of the ordinary shares acquired has been credited to the Capital Redemption Reserve. A further 4,021,486 Ordinary shares may be acquired under the current authority provided by shareholders.

19. RESERVES

	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Profit & Loss Account £'000	Total £'000
The Group					
At 1 January 2000	43,082	1,171	21	18,601	62,875
Retained result for the year				(759)	(759)
Revaluation reserve realised	0	0	0	550	550
Issue of new shares	0	0	0	0	0
Purchase of own shares	0	0	0	0	0
Transfer from Share Capital	3	0	0	0	3
Translation difference on foreign currency net investments	0	1,261	0	(4,238)	(4,238)
At 31 December 2000	43,085	2,432	21	14,279	59,817
The Company					
At 1 January 2000	42,883	1,171	0	16,791	60,845
Retained result for the year	0	0	0	(345)	(345)
Issues of new shares	3	0	0	0	3
Purchase of own shares	0	0	0	0	0
Transfer from Share Capital	0	1,261	0	(4,238)	(4,238)
At 31 December 2000	42,886	2,432	0	12,208	57,526

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Profit for the financial year	1,369	3,612	1,783	14,220
Dividends	(2,128)	(2,045)	(2,128)	(2,045)
	(759)	1,567	(345)	12,175
Purchased goodwill written back	0	1,284	0	0
Proceeds from the issue of new shares	5	0	5	0
Purchase of own shares	(4,238)	(2,682)	(4,238)	(2,682)
Revaluation reserve realised	550	0	0	0
Translation differences on foreign currency investments	125	(324)	0	0
Net (reduction)/addition to shareholders' funds	(4,317)	(155)	(4,578)	9,493
Opening shareholders' funds	79,044	79,199	77,014	67,521
Closing shareholders' funds	74,727	79,044	72,436	77,014

All shareholders' funds are equity.

21. COMMITMENTS AND CONTINGENCIES

Commitments contracted for at 31 December 2000 but not provided for in these accounts were £160,000 (£ nil).

Annual commitments under non-cancellable operating leases are:

	Land and buildings		Motor cars	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Expiry:				
- within one year	0	0	22	142
- between two and five years	413	413	259	70
- after five years	721	449	0	0
	1,134	862	281	212

The Company has guaranteed the bank overdrafts of subsidiary companies.

22. RELATED PARTY TRANSACTIONS

There were no related party transactions which require disclosure other than with associates and joint ventures (Note 11) other than the property sale to a director in 1999 as previously approved by shareholders.

23. CASH FLOW NOTES

(a) Reconciliation of operating profits to cash flow from operating activities

	2000	1999
	£'000	£'000
Operating profit	6,940	6,453
Share of associated undertakings profit	(85)	0
Depreciation charge	239	337
Loss on sales of tangible fixed assets	17	29
(Increase) in stocks	(1,171)	(3,755)
(Increase)/Decrease in debtors	(11,648)	2,869
(Decrease) in creditors	(3,279)	(2,307)
(Decrease) in provisions	(134)	(212)
Cash flow from operating activities	(9,121)	3,414

(b) Reconciliation of net cash flow to movements in net debt

	2000	1999
	£'000	£'000
(Increase)/Decrease in net overdraft	(9,422)	6,095
Decrease in debt due within one year	2,041	774
Change in net debt	(7,381)	6,869
Net debt at 1 January 2000	(14,951)	(21,820)
Net debt at 31 December 2000	(22,332)	(14,951)

(c) Analysis of changes in net debt

	At 1 Jan 2000	Cashflows	Foreign exchange movements	At 31 Dec 2000
	£'000	£'000	£'000	£'000
Cash in hand and at bank	447	(54)	0	393
Overdrafts	(9,717)	(9,368)	0	(19,085)
	(9,270)	(9,422)	0	(18,692)
Debt due within one year	(5,681)	2,034	7	(3,640)
Total	(14,951)	(7,388)	7	(22,332)

FIVE YEAR REVIEW

	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m
Turnover					
Continuing operations	66	75	53	70	60
Discontinued operations	280	14	23	1	0
	346	89	76	71	60
Profit/(loss) on ordinary activities before taxation	£'000	£'000	£'000	£'000	£'000
Continuing operations	858	4,782	3,971	6,024	4,768
Discontinued operations	(4,670)	4,514	(1,316)	(2,005)	(2,425)
	(3,812)	9,296	2,655	4,019	2,343
Taxation charge	(1,030)	(876)	(329)	(407)	(974)
Profit/(loss) on ordinary activities after taxation	(4,842)	8,420	2,326	3,612	1,369
Basic earnings/(loss) per Ordinary share	(7.4)p	12.6p	3.4p	5.4p	2.3p
Dividends per Ordinary share	2.5p	2.75p	3.0p	3.3p	3.6p

The figures have been restated to reflect the disposal of the construction business in 1997 and Carter Commercial Developments in 1999. Earnings per Ordinary share are shown in accordance with FRS14 and the figures for earlier years have been restated.

OPERATING COMPANIES

SWAN HILL GROUP PLC

Swan Court, Waterman's Business Park, Kingsbury Crescent, Staines, Middlesex TW18 3BA
Tel: 01784 464351 Fax: 01784 462907

HOUSE BUILDING

Swan Hill Homes Limited

Staines Region

Swan Court, Waterman's Business Park, Kingsbury Crescent,

Staines, Middlesex TW18 3BA

Tel: 01784 464351 Fax: 01784 462907

Horsham Region

Sanford House, 5 Medwin Walk, Horsham, West Sussex RH12 1AG

Tel: 01403 248494 Fax: 01403 218312

Bristol Region

Gifford Court, Fox Den Road, Stoke Gifford, Bristol BS34 8TT

Tel: 01179 448700 Fax: 01179 448844

FINANCIAL DIARY

Annual General Meeting

Announcement of Results

Dividends in respect of Ordinary shares

9 May 2001

Interim – mid September

Final – mid March

Interim – November

Final – May

UNITED KINGDOM PROPERTY

Swan Hill Property Holdings Limited

Swan Hill Developments Limited

Brookfield House, 44 Davies Street, London W1K 5JA

Tel: 020 7495 3760 Fax: 020 7499 7098

FRENCH PROPERTY

Swan Hill France SA

31 Avenue des Champs Elysées, 75008 Paris, France

Tel: +33 1 49 53 0880 Fax: +33 1 42 25 1395