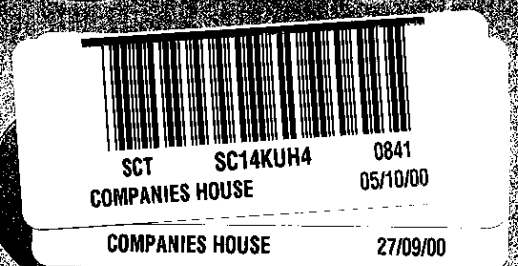


SC 37323

Compco HOLDINGS PLC



Annual Report 2000

Directors' Report

The Directors present their Report and the Financial Statements of the Group for the year ended 25th March 2000.

Review of the business and future developments

The Group's business of property investment, trading and development has continued during the year since 25th March 1999. A detailed review of the business of the Group, including the position at the year end and future prospects, is contained in the Operating Review.

Activity

The principal activity of the Group is property investment, trading and development.

Results and dividends

The Group profit for the year after taxation and minority interests was £5,881,000 (1999: £5,768,000).

The Directors recommend a final dividend of 4.5p per share. An interim dividend of 1.50p was paid on 14th January 2000 making a total for the year of 6.0p per share (1999: 5.25p). It is proposed that the final dividend be paid on 4th August 2000 to the shareholders whose names appear on the Register of Members at 30th June 2000.

Payment of the proposed final dividend will leave £3,732,000 to be added to reserves.

Post balance sheet events

Details of post balance sheet events are given in the Operating Review.

Year 2000

To date, no "Year 2000" problems that would have an adverse impact on the business have been reported to the Directors.

The Directors are continuing to monitor the situation but do not anticipate any significant disruption or cost as a result of this issue.

Payment of suppliers

The Group's policy is to pay suppliers within their normal terms for settlement. The average payment period for suppliers at 25th March 2000 was 21 days.

Charitable and political contributions

During the period the Group made charitable donations of £11,095. There were no political contributions.

Directors

The Directors who served during the year were:

Kenneth D. Rubens*†	Non-executive Chairman
Robert A. Nadler†	Joint Chief Executive
Nigel K. Ross†	Joint Chief Executive
Brian I. Leaver	Executive
Andrew I. Jaye	Executive
John M. Button*†	Non-executive (Retired 3rd August 1999)
Lord Wolfson of Sunningdale*†	Non-executive
David M. Pickford*†	Non-executive (Chairman until 3rd August 1999)

*Member of the Audit and Remuneration Committees

†Member of the Nomination Committee

Executive directors

Nigel Ross, LLB, ACI Arb (aged 49), Joint Chief Executive, has a law degree from the London School of Economics. From 1981 to 1995 he ran Ross Jaye, a commercial estate agency practice, jointly with Andrew Jaye, at the same time building up Haigside Limited, the property company which was reversed into Compco in 1995. He is a member of the Leasehold Reform Working Party of the British Property Federation and sits on the property committee of various charities.

Robert Nadler, ARICS (aged 46), Joint Chief Executive, joined Jones Lang Wootton at the beginning of 1972, working in both the London and Paris offices and qualifying as a Chartered Surveyor in 1976. He became a Director of Compco in 1976, joining the Company full-time in 1979. He was appointed Managing Director in 1981. He was a director of Applied Property Research Limited, a leading property research company, from 1986 until that company was sold to Rosehaugh Plc in 1988. He was also a Founder Director of London Residential Research Limited until that company was sold to Reed Business Information in June 1999.

Andrew Jaye, FRICS, IRRV (aged 45), joined D E & J Levy, valuers and auctioneers, in 1973, qualifying in 1977. In January 1981, together with Nigel Ross, he formed Ross Jaye. He became a director of and shareholder in Cadogan Properties Limited in 1984 and in the same year co-established Haigside Limited. He joined the Board of Compco in 1995. He is currently the managing director of Ross Jaye and has considerable experience in the property market and, particularly, in commercial property management.

Brian Leaver, FRICS (aged 64), became a partner in Leavers, commercial estate agents and shop property specialists, in 1964 and senior partner in 1981. He sold his shares in Leavers in 1986 and is now a consultant to Leaver Charles, Chartered Surveyors. He became a director of and shareholder in Cadogan Properties Limited in 1979 and a director of Haigside Limited in 1994 on Haigside's acquisition of his interest in Cadogan. He joined the Board of Compco in 1995. He has extensive experience in the retail property market.

Non-executive directors

Kenneth Rubens, OBE, FRICS, FRSA (aged 70), joined the Board in 1998. He has over 40 years' experience in the property industry and was Chairman at Mytre Property Trust, acquired by Compco in July 1998. He was appointed Managing Director of Property and Reversionary Investments PLC in 1956, becoming Chairman in 1986. After the merger with Lynton PLC in 1987 he became that Company's Deputy Chairman. He was a director of New Court Property Fund Limited from 1975 until 1997. He is an Honorary Life Member of the British Property Federation and also a Member of its Council.

Lord Wolfson of Sunningdale (aged 64), joined the Board in 1995. He is Chairman of The Great Universal Stores Plc. From 1979 to 1985 he was Chief of Staff in the Political Office of Margaret Thatcher. He was knighted in 1984 and became a Life Peer in 1991.

Directors' Report

Non-executive directors continued

David Pickford, FRICS (aged 73), joined the Board in 1987. He is Chairman of Lionbrook Property Partnership, which invests in the direct property market. He has a long and distinguished career in property, having formed Haslemere Estates Plc in 1958, becoming Managing Director in 1968 and serving as Chairman from 1983 to 1986.

Re-election of directors

The directors who are standing for re-election at the Annual General Meeting are Kenneth Rubens, Nigel Ross, Brian Leaver and David Pickford.

Both Kenneth Rubens (aged 70) and David Pickford (aged 73) have, as indicated above, wide property experience. They continue to play an active role in the property market. The Board believes that, if re-elected, they will continue to make a very valuable contribution to the Company.

Directors' interests

The interests of the directors who held office at 25th March 2000, including those of their families, are shown below.

Ordinary shares of Compco Holdings plc

	2000		1999	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Kenneth Rubens	1,209,086	—	1,199,086	—
John Button (Retired 3rd August 1999)	—	—	40,000	—
Andrew Jaye	1,338,585	—	1,463,252	—
Brian Leaver	1,947,334	433,760	1,947,334	518,508
Robert Nadler	2,387,723	—	2,382,723	—
David Pickford	76,380	—	76,380	—
Nigel Ross	1,732,720	—	1,977,053	—
Lord Wolfson	977,822	—	977,822	—

The only change since 25th March 2000 is that the interest of Nigel Ross has increased by 15,000 shares.

Substantial shareholdings

The following table shows those persons other than the Directors who, at 6th June 2000, were interested in 3 per cent or more of the issued ordinary share capital, so far as is known to the Company:

	Number of ordinary shares	Percentage of issued ordinary share capital
Edinburgh Fund Managers Plc (non-beneficial)	3,240,850	8.67
Hermes Investment Management Limited (non-beneficial)	*2,852,900	7.63
TR Property Investment Trust Plc	2,820,000	7.54
Equitable Life Assurance Society	2,529,564	6.77
Rutero Corporation	†1,970,872	5.27
Marquess of Tavistock	1,839,308	4.92
Standard Life	1,470,126	3.93
Caledonia General Investments	1,209,604	3.24

†The holding of Rutero Corporation is a holding in which Robert Nadler is interested to the extent of 50% (985,436 shares). This interest is included in the figure of 2,387,723 mentioned previously.

*The Hermes holding comprises:

British Telecom Pension Scheme	1,674,569	4.48
Post Office Staff Superannuation Scheme	1,178,331	3.15

Corporate governance

In June 1998 the London Stock Exchange published the Combined Code, which embraces the work of the Cadbury, Greenbury and Hampel Committees.

In the opinion of the Board of Directors the Company has complied with the Code provisions in every material respect throughout the year ended 25th March 2000.

Board of directors

At the date of this report the Board comprises four executive and three non-executive directors. The names and biographical details of the directors are given above. Their abilities and wide experience in the fields of property, finance and general management are such as to ensure that the Board operates effectively to lead and control the company. The directors are able to bring an independent judgement to bear on the major issues involved in the operation of a public company.

The Board meets six times per year and there are Board Procedures, originally adopted in 1993, which include a formal schedule of matters reserved to the Board for decision.

The role of Kenneth Rubens, the non-executive Chairman, is clearly separated from the roles of the two Joint Chief Executives, Nigel Ross and Robert Nadler. The Chairman and the other two non-executive directors, David Pickford and Lord Wolfson, are all considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. David Pickford is the senior independent director.

The Chairman ensures that all directors receive appropriate information and are properly briefed both in preparation for Board meetings and as appropriate at other times.

The Nomination Committee was established early in 1999 in order to formalise the procedure for new appointments to the Board. The Chairman is Kenneth Rubens and the other members are David Pickford, Lord Wolfson, Nigel Ross and Robert Nadler.

In addition to the Article of Association requiring one third of the Board to retire by rotation each year, Board Procedures require every director to stand for re-election at least every three years.

Directors' remuneration

The Remuneration Committee was established in 1994. The Chairman is Kenneth Rubens and the other members are the other non-executive directors: David Pickford and Lord Wolfson.

The Committee's terms of reference include the formulation of remuneration policy for the executive directors and making recommendations to the Board of remuneration packages for individual executive directors. In doing so the Committee is required to have regard to the provisions of the Combined Code concerning remuneration policy.

For the year ended 25th March 2000 (as in the previous year) the Committee has awarded discretionary bonuses to the executive directors. The amounts are considered appropriate in view of the performance of the Company.

The Remuneration Committee consults with external advisers about remuneration policy and specific packages and discusses with the Joint Chief Executives the remuneration of the other executive directors.

The remuneration of the non-executive directors is determined by the Board as a whole.

Service contracts and compensation

Brian Leaver, who is proposed for re-election at the Annual General Meeting, and Robert Nadler each have a service agreement with the Company which may be terminated by either party giving to the other 12 months' notice.

The consultancy arrangements in relation to each of Nigel Ross (who is proposed for re-election) and Andrew Jaye described below continue from year to year unless terminated by either party giving to the other 12 months' notice. In 1997 new agreements were reached in respect of the services of the Joint Chief Executives. The Committee took the view that it was not appropriate to make explicit provision for early termination.

Directors' Report

Service contracts and compensation continued

The non-executive directors, including Kenneth Rubens and David Pickford, who are proposed for re-election at the Annual General Meeting, do not have service contracts. They are subject to retirement and re-election in accordance with the Articles of Association and Board Procedures.

Remuneration policy

The Company's policy on executive directors' remuneration is to ensure that they are rewarded at rates which are sufficient to retain and motivate, while being reasonable in comparison with other property companies of similar size, for which purpose the Committee obtains comparative details.

In framing its remuneration policy the Committee has given full consideration to the provisions of the Combined Code.

Details of directors' remuneration

The remuneration of the directors who served during the year is shown in note 3 to the Financial Statements.

There is no provision for any pension entitlement in the service contract of any director.

The services of Nigel Ross as an executive director are provided by Nigel Ross Consultancy Limited (a subsidiary of Ross Jaye (Holdings) Limited) for a fee of £252,700 per annum excluding VAT (£250,000 until 30th September 1999) and a contribution of £20,000 per annum excluding VAT, payable at the direction of Nigel Ross Consultancy Limited to Ross Jaye & Co Limited, towards the cost of a car and health insurance.

The services of Andrew Jaye are provided by Andrew Jaye Consultancy Limited (a subsidiary of Ross Jaye (Holdings) Limited) for a fee of £47,700 per annum excluding VAT (£46,908 until 30th September 1999).

Relations with shareholders

For its 1999 Annual General Meeting the Company complied with the Combined Code provisions regarding:

- the announcement of votes;
- the separation of resolutions on major issues;
- a resolution for adoption of the Report and Accounts;
- the availability to answer questions of the Chairmen of the Audit & Remuneration Committees;
- the date of sending the notice of the meeting to shareholders.

The Company intends that those provisions will again be complied with for the 2000 Annual General Meeting.

Accountability and audit

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 and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

Directors' responsibilities continued

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group in order 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.

Going concern

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

Internal control

The Group has adopted the transitional approach for the Combined Code set out in the letter from the London Stock Exchange to listed companies at the end of September 1999.

Wider aspects of internal control

The Board has set up a steering group, chaired by Robert Nadler, to ensure that procedures are or will be in place to implement the Turnbull guidance "Internal Control: Guidance for Directors on the Combined Code".

There are three stages to the Board's approach:

- identification, assessment and analysis of key risks;
- investigation into which systems are currently in place to monitor key risks and the establishment of new procedures for key risks not presently monitored;
- development of regular review processes.

The Board has made considerable progress in meeting its commitment in this area and expects to have established the procedures necessary to implement the guidance fully by late summer 2000.

Internal financial control

The Directors are responsible for the Group's system of internal control.

The controls are established in order to safeguard the Group's assets against unauthorised use or disposition and to maintain proper accounting records which will provide reliable financial information for use within the business or for publication. The controls provide reasonable, but not absolute, assurance against material mis-statement or loss. In establishing the controls the Directors have taken into account the small number of employees and the significant extent to which the Directors can themselves oversee the day to day transactions and operations of the Group.

The key procedures include:

- clear management responsibilities;
- information systems which provide annual forecasts, quarterly reporting and comparison with forecasts;
- appropriate authorisation limits.

The system of control is reviewed at regular meetings between the Audit Committee and the Group's external auditors.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the Group's system of internal control.

Directors' Report

Audit Committee

The Audit Committee was established in 1993 with written terms of reference which include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditors, taking account of the non-audit services they provide.

The Chairman of the Committee is Kenneth Rubens and the other members are David Pickford and Lord Wolfson.

Annual General Meeting

At the Annual General Meeting resolutions will be proposed:

- to give the Directors authority to allot relevant securities;
- to give the Directors limited authority to allot equity securities for cash other than pro-rata to existing shareholdings;
- to renew for a further year the Company's authority (so far unused) to make market purchases of its own ordinary shares.

The Directors do not intend immediately to exercise the power to enable the Company to purchase its own shares and would do so only if they believed that the purchase would be in the best interests of the Company at the time of such purchase.

The resolutions are set out in detail in the notice which accompanies this document.

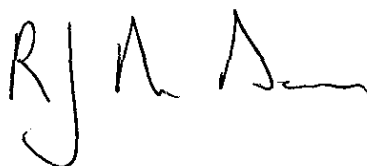
Auditors

A resolution to re-appoint Hays Allan as auditors will be put to the Members at the Annual General Meeting.

By Order of the Board

R.J. De Barr
Secretary

12th June 2000



66 Queen Street
Edinburgh EH2 4NE

Auditors' Report

To the Shareholders of Compco Holdings plc

We have audited the financial statements on pages 24 to 46 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 29 and 30.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on pages 20 and 21, the financial statements.

Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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

We review whether the corporate governance statements on pages 19 to 22 reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance 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 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 of the Group as at 25th March 2000 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Hays Allan

Chartered Accountants
Registered Auditors

Southampton House
317 High Holborn
London WC1V 7NL

12th June 2000

Consolidated Profit and Loss Account

for the year ended 25th March 2000

	Note	2000 £'000	1999 £'000
Turnover			
Continuing operations:			
– Ongoing		23,259	25,404
– Acquisitions		—	4,510
		23,259	29,914
Discontinued operations		—	1,206
Group turnover		23,259	31,120
Cost of sales	2	(8,472)	(18,991)
Gross profit	2	14,787	12,129
Administrative expenses	2	(2,603)	(2,406)
Operating profit			
Continuing operations:			
– Ongoing	2	12,184	8,909
– Acquisitions	2	—	674
Discontinued operations		—	140
Group operating profit		12,184	9,723
Profit on sale of tangible fixed assets		2,412	2,856
Profit on ordinary activities before interest and taxation		14,596	12,579
Interest receivable and other similar income		687	435
Interest payable	5	(5,704)	(4,305)
Profit on ordinary activities before taxation		9,579	8,709
Taxation on profit on ordinary activities	6	(3,531)	(2,798)
Profit on ordinary activities after taxation		6,048	5,911
Equity minority interests		(167)	(143)
Profit attributable to the shareholders of Compco Holdings PLC		5,881	5,768
Dividends on equity shares	7	(2,149)	(1,927)
Retained profit for the year		3,732	3,841
Earnings per share	8	16.10p	17.60p

Other Primary Statements

for the year ended 25th March 2000

Statement of Recognised Gains and Losses

	2000 £'000	1999 £'000
Profit for the financial year	3,732	3,841
Unrealised surplus on revaluation of investment properties	26,868	9,475
Unrealised surplus on revaluation of investment in joint ventures	24	—
Unrealised surplus on revaluation of investment in associates	695	—
Total gains and losses recognised since last annual report	31,319	13,316

Note of Historical Cost Profits and Losses

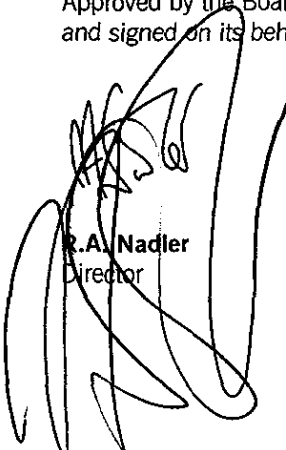
	2000 £'000	1999 £'000
Reported profit on ordinary activities before taxation	9,579	8,709
Realisation of property revaluation gains of previous years	11,539	2,969
Historical cost profit on ordinary activities before taxation	21,118	11,678
Historical cost profit for the year retained after taxation, minority interests and dividends	15,271	6,810

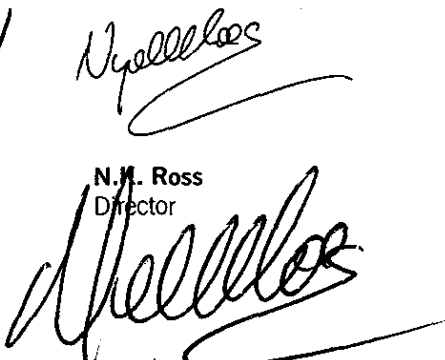
Consolidated Balance Sheet

as at 25th March 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	9(a)	202,913	112,966
Investments	10(a)	5,974	—
		208,887	112,966
Current assets			
Stocks	11	9,982	12,103
Debtors	12	1,573	7,637
Cash at bank and in hand		12,584	14,465
		24,139	34,205
Creditors			
Amounts falling due within one year	13	(8,120)	(6,747)
Net current assets		16,019	27,458
Total assets less current liabilities		224,906	140,424
Creditors			
Amounts falling due after more than one year	14	(95,747)	(51,924)
Provisions for liabilities and charges	16	(249)	(305)
		128,910	88,195
Equity minority interests		(1,245)	(1,234)
Net assets		127,665	86,961
Capital and reserves			
Called up share capital	17	7,475	6,797
Share premium account	18(a)	38,719	30,012
Revaluation reserve	18(b)	43,921	27,873
Other reserves		5,912	5,912
Profit and loss account	18(c)	31,638	16,367
Equity shareholders' funds		127,665	86,961

Approved by the Board on 12th June 2000
and signed on its behalf by


R.A. Nadler
Director

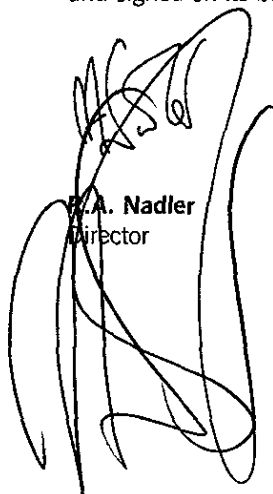

N.H. Ross
Director

Parent Company Balance Sheet

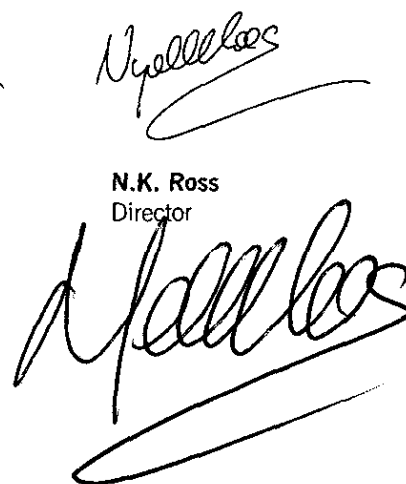
as at 25th March 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	9(b)	9,591	80
Investments	10(b)	108,500	70,749
		118,091	70,829
Current assets			
Debtors	12	58,232	44,772
Cash at bank and in hand		10,801	6,016
		69,033	50,788
Creditors			
Amounts falling due within one year	13	(43,100)	(26,250)
Net current assets		25,933	24,538
Creditors			
Amounts falling due after more than one year	14	(16,359)	(8,406)
Net assets		127,665	86,961
Capital and reserves			
Called up share capital	17	7,475	6,797
Share premium account	18(a)	38,719	30,012
Revaluation reserve	18(b)	80,016	49,543
Profit and loss account	18(c)	1,455	609
Equity shareholders' funds		127,665	86,961

Approved by the Board on 12th June 2000
and signed on its behalf by



N.A. Nadler
Director



N.K. Ross
Director

Group Cash Flow Statement

for the year ended 25th March 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities	25	21,392	11,530
Returns on investments and servicing of finance			
Interest received		687	435
Interest paid		(5,704)	(4,305)
Dividends paid to minorities		(178)	(105)
Finance issue costs		(333)	(283)
Net cash outflow from returns on investment and servicing of finance		(5,528)	(4,258)
		15,864	7,272
Taxation			
Corporation tax paid (including ACT)		(3,555)	(1,498)
		12,309	5,774
Capital expenditure			
Purchase of joint venture		(943)	—
Purchase of associated undertaking		(4,258)	—
Purchase of subsidiary undertakings		—	277
Sale of investments		—	686
Payments to acquire tangible fixed assets		(56)	(43)
Sale of investment properties		23,149	25,816
Purchase of investment properties		(74,414)	(28,620)
Net cash outflow from investing activities		(56,522)	(1,884)
		(44,213)	3,890
Equity dividends paid		(1,919)	(1,615)
		(46,132)	2,275
Financing			
Share issue costs		(107)	(101)
New bank loans		50,991	17,466
Bank loan repayment		(6,604)	(7,459)
Net cash inflow from financing activities		44,280	9,906
(Decrease)/increase in cash	26	(1,852)	12,181

Notes to the Financial Statements

for the year ended 25th March 2000

1 Accounting policies

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

(a) Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention, modified to include the revaluation of investment properties and, in the case of the parent company, of subsidiary companies.

No separate profit and loss account is presented for Compco Holdings plc as provided by section 230(4) Companies Act 1985.

(b) Basis of consolidation

The financial statements consolidate the accounts of Compco Holdings plc and its subsidiary and associated undertakings made up to 25th March 2000.

Subsidiary undertakings are accounted for from the effective date of acquisition until the effective date of disposal.

Entities in which the Group holds an interest on a long term basis and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement, are treated as joint ventures. In the Group accounts, joint ventures are accounted for using the gross equity method.

Entities, other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group accounts, associates are accounted for using the equity method.

(c) Goodwill

Purchased goodwill, being the excess of purchase price over the fair value of net assets acquired, is capitalised and amortised over its estimated useful life. In prior years, acquisition goodwill was taken to reserves in the year of acquisition. Goodwill previously eliminated against Group reserves on acquisition is, on the disposal or termination of the relevant business, reinstated and included in the calculation of the profit or loss on disposal.

(d) Investment properties

Investment properties are externally valued every year on the basis of open market value.

In accordance with Statement of Standard Accounting Practice No. 19 no amortisation is provided on freehold and long leasehold investment properties. The directors consider that although this represents a departure from the requirements of the Companies Act 1985, for all investment properties to be depreciated, this policy results in the financial statements giving a true and fair view. Amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

(e) Other tangible fixed assets and depreciation

Depreciation is provided using the straight line method to write off the cost of tangible fixed assets other than investment properties over their estimated useful lives as follows:

Short leasehold property	over the life of the lease
Motor vehicles, plant and machinery	15%-25% per annum

Notes to the Financial Statements

1 Accounting policies continued

(f) Investments

Investments in subsidiary and associated companies are stated on the basis of the net asset value to the parent company. Other investments are included on the historical cost basis.

(g) Finance issue costs

Finance issue costs are amortised over the life of the associated loans.

(h) Properties held for development or resale

Properties held for development or resale are stated at the lower of cost and net realisable value. Property acquisitions and disposals are accounted for when legally binding contracts which are irrevocable and unconditional are exchanged.

(i) Deferred taxation

Provision is made for deferred taxation to the extent that a liability is expected to crystallise within the foreseeable future, taking into account anticipated capital expenditure.

2 Turnover, profits and net assets

Turnover, which excludes valued added tax, represents:

- (i) the sale proceeds of trading properties sold during the period;
- (ii) rental income; and
- (iii) amounts receivable derived from the sale of goods and services to customers on the railway operations.

(a) Analysis of turnover and profit

All turnover and profits are derived from activities in the United Kingdom.

(b) Analysis of operating profit by activity

	2000			1999		
	Property activities £'000	Railway operations £'000	Total £'000	Property activities £'000	Railway operations £'000	Total £'000
Turnover						
Property trading	9,522	—	9,522	19,848	—	19,848
Rental income	13,737	—	13,737	10,066	—	10,066
Railway operations	—	—	—	—	1,206	1,206
	23,259	—	23,259	29,914	1,206	31,120
Cost of sales						
Property trading	6,410	—	6,410	16,076	—	16,076
Rental income	2,062	—	2,062	1,849	—	1,849
Railway operations	—	—	—	—	1,066	1,066
	8,472	—	8,472	17,925	1,066	18,991
Gross profit	14,787	—	14,787	11,989	140	12,129
Administration expenses	(2,603)	—	(2,603)	(2,406)	—	(2,406)
Operating profit	12,184	—	12,184	9,583	140	9,723

Notes to the Financial Statements

2 Turnover, profits and net assets continued

(c) Analysis of continuing, discontinued and acquired operating profit

	Property activities		Railway operations	2000
	Continuing operations	Acquisitions	Discontinued	Total
	£'000	£'000	£'000	£'000
Turnover	23,259	—	—	23,259
Cost of sales	(8,472)	—	—	(8,472)
Gross profit	14,787	—	—	14,787
Administration expenses	(2,603)	—	—	(2,603)
Operating profit	12,184	—	—	12,184

	Property activities		Railway operations	1999
	Continuing operations	Acquisitions	Discontinued	Total
	£'000	£'000	£'000	£'000
Turnover	25,404	4,510	1,206	31,120
Cost of sales	(14,100)	(3,825)	(1,066)	(18,991)
Gross profit	11,304	685	140	12,129
Administration expenses	(2,395)	(11)	—	(2,406)
Operating profit	8,909	674	140	9,723

(d) Operating profit

	2000	1999
	£'000	£'000
The operating profit is stated after charging:		
Depreciation	39	44
Auditors' remuneration – audit	46	40
– other services (principally taxation)	59	76

(e) Analysis of net assets

Property investment and trading	127,665	86,961
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3 Directors' emoluments

	2000 £'000	1999 £'000
Fees	61	55
Management services – emoluments	424	382
– payable to third parties	583	473
	1,068	910

The remuneration and other amounts paid to Directors who served during the period is shown below:

	Salary and fees £'000	Bonus £'000	Benefits £'000	Total 2000 £'000	Total 1999 £'000
Executive					
Andrew Jaye	47	22	—	69	73
Brian Leaver	44	20	—	64	68
Robert Nadler	179	161	20	360	286
Nigel Ross	251	242	21	514	400
Non-executive					
John Button	6	—	—	6	14
David Pickford (Chairman until August 1999)	17	—	—	17	17
Kenneth Rubens (Chairman from August 1999)	22	—	—	22	38
Lord Wolfson	16	—	—	16	14
	582	445	41	1,068	910

No pension contributions are made in respect of Directors.

4 Staff costs

	2000 Total £'000	1999 Total £'000
Wages and salaries (including Directors)	1,439	1,143
Social security costs	85	57
	1,524	1,200

The average number of full time persons employed (including Directors) during the period, analysed by category, was as follows:

	Number of employees 2000	1999
Property investment and trading	10	10
Frenson (75% subsidiary)	12	12
	22	22

Notes to the Financial Statements

5 Interest payable

	2000 £'000	1999 £'000
On bank loans and overdrafts	5,704	4,305

6 Taxation

	2000 £'000	1999 £'000
The taxation charge comprises:		
Corporation tax at 30% based on the profit for the year	3,590	3,067
Share of Joint Venture's tax	23	—
Adjustment relating to previous years	(26)	(135)
Deferred taxation	(56)	(134)
	3,531	2,798

7 Dividends

	2000 £'000	1999 £'000
Equity dividends on ordinary shares:		
Interim paid: 1.5p per share (1999: 1.25p)	561	568
Final proposed: 4.5p per share (1999: 4.0p)	1,588	1,359
	2,149	1,927

8 Earnings per share

The earnings per share have been calculated on the profit on ordinary activities after taxation and minority interests of £5,881,000 (1999: £5,768,000) and on the weighted average number of 36,533,256 shares (1999: 32,771,834) in issue during the period.

9 Tangible fixed assets

(a) Group

	Investment properties		Other	Motor	
	Freehold	Long	land and	vehicles,	Total
	£'000	leasehold	buildings	plant and	£'000
	£'000	£'000	£'000	machinery	£'000
Cost or valuation					
At 25th March 1999					
At valuation	93,575	19,300	—	—	112,875
At cost	—	—	81	347	428
Additions at cost	83,744	55	—	56	83,855
Surplus on revaluation	25,132	1,736	—	—	26,868
Disposals	(17,571)	(3,166)	—	(1)	(20,738)
At 25th March 2000	184,880	17,925	81	402	203,288
Depreciation					
At 25th March 1999	—	—	80	257	337
Charge for year	—	—	1	38	39
Eliminated on disposal	—	—	—	(1)	(1)
At 25th March 2000	—	—	81	294	375
Net book value					
At 25th March 2000	184,880	17,925	—	108	202,913
At 25th March 1999	93,575	19,300	1	90	112,966

The net book value of other land and buildings comprises:

	2000	1999
	£'000	£'000
Short leasehold	—	1

The Group's investment properties were valued at 25th March 2000 by King Sturge, Chartered Surveyors, on the basis of open market value and in accordance with the RICS Appraisal and Valuation Manual.

On the historical cost basis investment properties would have been included at:

	2000		1999	
	Freehold	Long	Freehold	Long
	£'000	leasehold	£'000	leasehold
	£'000	£'000	£'000	£'000
Cost	106,436	9,622	64,464	12,081
Provision for diminution in value	(229)	(46)	(267)	(46)
	106,207	9,576	64,197	12,035

Notes to the Financial Statements

9 Tangible fixed assets *continued*

(b) Company

	Long leasehold £'000	Short leasehold £'000	Motor vehicles, fixtures and fittings £'000	Total £'000
Cost				
At 25th March 1999	—	81	291	372
Additions	11,512	—	54	11,566
Revaluation	(2,022)	—	—	(2,022)
At 25th March 2000	9,490	81	345	9,916
Depreciation				
At 25th March 1999	—	80	212	292
Charge for year	—	1	32	33
At 25th March 2000	—	81	244	325
Net book value				
At 25th March 2000	9,490	—	101	9,591
At 25th March 1999	—	1	79	80

10 Investments

	2000 £'000	1999 £'000
(a) Group		
Joint venture (i)	1,021	—
Associated undertaking (ii)	4,953	—
	5,974	—
(i) Joint venture		
Share of profit retained by joint venture	58	—
Share of net assets of joint venture		
Fixed assets	1,045	—
Current assets	34	—
Share of gross assets	1,079	—
Liabilities due within one year	58	—
Share of gross liabilities	58	—
Share of net assets	1,021	—
Turnover	82	—
Profit before tax	77	—
Taxation	23	—
Profit after tax	54	—
Revaluation	24	—
Share of joint venture	78	—
(ii) Associated undertaking – Chelsea Harbour Limited		
		Share of net tangible assets £'000
Investment		4,258
Surplus on revaluation		695
At 25th March 2000		4,953
Share of fixed assets		15,750
Share of liabilities due within one year		(200)
Share of liabilities due after more than one year		(10,597)
Share of net assets		4,953

The property held by Chelsea Harbour Limited was valued by Weatherall Green & Smith, Chartered Surveyors, at 25th March 2000 on the basis of open market value and in accordance with the RICS Appraisal and Valuation Manual.

Notes to the Financial Statements

10 Investments continued

	Shares in subsidiary companies £'000
(b) Company	
At 25th March 1999	70,749
Additions	5,186
Surplus on revaluation	32,565
At 25th March 2000	108,500
<i>On the historical cost basis investments would be included at:</i>	
Cost	20,629
Provision for diminution in value	(1,695)
	18,934

11 Stocks

	2000 £'000	1999 £'000
Properties held for development or resale	9,982	12,103

The aggregate market values at 25th March 2000 of property held for development or resale was:

	2000		1999	
	Market value £'000	Book value £'000	Market value £'000	Book value £'000
Valued by:				
King Sturge	24,005	9,982	25,745	12,103
Less: Minority interests	(4,000)	(1,259)	(3,667)	(1,381)
	20,005	8,723	22,078	10,722

If all properties were realised or deemed to be realised at the above market values there would be additional liabilities as follows:

	2000 £'000	1999 £'000
Corporation tax at 30% (1999: 30%)	4,207	4,093
Less : Minority interests	(822)	(686)
	3,385	3,407

The properties shown above were valued by King Sturge, Chartered Surveyors at 25th March 2000 on the basis of open market value and in accordance with the RICS Appraisal and Valuation Manual.

12 Debtors

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year:				
Amounts owed by subsidiary companies	—	57,481	—	44,294
Other debtors	1,392	618	7,133	207
Prepayments and accrued income	181	133	374	141
ACT recoverable	—	—	130	130
	1,573	58,232	7,637	44,772

13 Creditors: amounts falling due within one year

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts	788	—	350	—
Corporation tax (including ACT)	2,843	151	2,964	—
Other taxation and social security	51	(75)	127	79
Other creditors	528	65	373	143
Amounts owed to subsidiary companies	—	40,385	—	24,036
Dividends payable	1,588	1,588	1,359	1,359
Accruals and deferred income	2,322	986	1,574	633
	8,120	43,100	6,747	26,250

14 Creditors: amounts falling due after more than one year

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank and other loans	95,747	16,359	51,924	8,406
Amounts falling due:				
In one year or less or on demand	788	—	—	—
In more than one year but not more than two years	6,767	6,767	810	—
In more than two years but not more than five years	9,653	9,653	—	—
In more than five years	79,870	—	51,868	8,452
	97,078	16,420	52,678	8,452
Less: issue costs	543	61	404	46
	96,535	16,359	52,274	8,406
Less: included in creditors: amounts falling due within one year	788	—	350	—
	95,747	16,359	51,924	8,406

Notes to the Financial Statements

15 Analysis of borrowings and FRS13 disclosures

The Group borrows from financial institutions, banks and building societies at both fixed and floating rates of interest. The interest rate exposure arising from the floating rate debt is hedged through the use of financial derivative instruments to ensure that the Group's business objectives are met.

Derivative instruments are used for hedging purposes only and may include interest rate swaps, options and combinations thereof.

It is the policy of the Group to protect against adverse interest rate movements whilst retaining some opportunity to benefit from falls in short term interest rates. At the same time the Group has protected itself from incurring undue break costs arising from early terminations.

The hedging strategies adopted in joint ventures are subject to agreement between the parties. In accordance with FRS13, disclosures relating to the borrowings and hedging of associated companies are not included in this note.

At 25th March 2000, £97.1 million (1999: £52.7 million) of Group facilities had been drawn and of this total 52% (1999: 76%) had been protected, at the year end, against adverse interest rate movements. This increases to 73% (1999: 86%) when including hedging arrangements contracted to start in the future.

It is Group policy to maintain a prudent maturity profile in respect of bank borrowings commensurate with its development and investment strategy. At 25th March 2000 undrawn commitments aggregated £4.0 million (1999: £4.5 million).

The Group has taken advantage of the exemption under FRS13, Derivatives and Other Financial Instruments, 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.

The Group did not trade in financial assets during the year ended 25th March 2000.

The profile of the Group's borrowings is as follows:

	£'000	Weighted average Interest rate %	Weighted average period Years
Fixed rate liabilities	43,652	8.11	6.62
Capped rate liabilities	6,787	9.31	3.52
Floating rate liabilities	46,639	1.00 over Libor or clearing bank base rate	N/A
	97,078		

The comparative figures for 1999 are shown below:

Fixed rate liabilities	32,252	8.57	6.86
Capped rate liabilities	7,881	9.19	3.39
Floating rate liabilities	12,545	1.00 over Libor or clearing bank base rate	N/A
	52,678		

The fixed rates payable incorporate the effect of interest rate swaps.

On expiry of an interest rate swap on a notional principal of £6.3 million on 15th August 2001, an interest rate cap has been purchased to protect the next three years at a maximum rate of 9.00% inclusive of loan margin.

In addition to the above, the Group has entered into forward fixtures aggregating £20 million at 7.07% inclusive of loan margin, starting on 15th August 2004 and expiring on 15th August 2014.

Interest rate floors have been purchased which enable the Group to benefit should three month Libor decline.

15 Analysis of borrowings and FRS13 disclosures continued

The floors have been set out below:

£4.0 million @ 6.00% expiring on 15th August 2001.

£5.0 million @ 5.25% expiring on 15th August 2002.

£4.0 million @ 6.00% expiring on 15th May 2003.

£5.0 million @ 4.75% expiring on 15th August 2004.

Hedge profile – maturity of protection

	Group 2000 £'000	Group 1999 £'000
Time bands for expiry		
In one year or less	794	—
In more than one year but not more than two years	2,152	794
In more than two years but not more than five years	22,300	18,152
In more than five years	45,200	26,200
	70,446	45,146

The maturity profile includes hedging arrangements contracted to start in the future.

Fair values

The fair values of the Group's financial liabilities are set out below:

	Book value £'000	Notional principal £'000	Fair value £'000	Fair value adjustment £'000
Financial instruments held or issued to finance the Group's operations:				
Fixed rate debt	9,352	—	10,625	1,273
Derivative financial instruments held to manage the Group's interest rate exposure:				
Forward fixed rates	—	20,000	241	(241)
Interest rate swaps	—	34,300	(102)	102
Interest rate caps	(120)	13,904	(105)	(15)
Interest rate floors	—	18,000	(38)	38
Fair value adjustment				(1,389)
Net of tax 30%				(972)
1999 fair value adjustment				(3,649)
Net of tax 31%				(2,518)

The fair values reflect the replacement value of the financial instruments used to manage the Group's exposure to adverse interest rate movements.

All gains and losses arising from crystallised hedging instruments have been recognised in the profit and loss account.

Foreign exchange

The Group's assets or liabilities are denominated in sterling and it has no exposure to foreign exchange movements.

Notes to the Financial Statements

16 Provisions for liabilities and charges

	£'000
Deferred taxation:	
At 25th March 1999	305
Transfer to profit and loss account	(56)
At 25th March 2000	249

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	2000		1999	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Excess of fair value over book value of acquired subsidiaries' trading properties	249	—	305	—
Accelerated capital allowances	—	1,125	—	490
Revaluation of investment properties	—	13,654	—	6,790
	249	14,779	305	7,280

17 Share capital

	2000 £'000	1999 £'000
(a) Authorised:		
49,000,000 (1999: 42,500,000) Ordinary shares of 20p each	9,800	8,500
(b) Allotted, issued and fully paid		
37,376,123 (1999: 33,986,123) Ordinary shares of 20p each	7,475	6,797
<i>Ordinary shares were allotted fully paid as follows:</i>		
On 24th June 1999 3,390,000 Ordinary shares were issued at £2.80 in consideration for the acquisition of investment property.		
(c) Analysis of changes in share capital during the period:		
At 25th March 1999	6,797	5,790
Shares issued for non-cash consideration	678	1,007
At 25th March 2000	7,475	6,797

18 Reserves

	Group £'000	Company £'000
(a) Share premium account:		
At 25th March 1999	30,012	30,012
Arising on shares issued for non-cash consideration	8,814	8,814
Share issue costs	(107)	(107)
At 25th March 2000	38,719	38,719
(b) Revaluation reserve:		
At 25th March 1999	27,873	49,543
Surplus on revaluation of investment properties	26,868	—
Realised surplus on sale of investment properties	(11,539)	(2,092)
Surplus on revaluation of investments	719	32,565
At 25th March 2000	43,921	80,016
(c) Profit and loss account:		
At 25th March 1999	16,367	609
Retained profit for the year	3,732	846
Realised surplus on sale of investment properties	11,539	—
At 25th March 2000	31,638	1,455

19 Reconciliation of movements in shareholders' funds

	Group 2000 £'000	Group 1999 £'000
Retained profit for the financial year	3,732	3,841
Surplus on revaluation of investments	27,587	9,475
New share capital subscribed – net of costs	9,385	12,444
Net increase in shareholders' funds	40,704	25,760
Opening shareholders' funds	86,961	61,201
Closing shareholders' funds	127,665	86,961

Notes to the Financial Statements

20 Contingent liabilities, guarantees and other financial commitments

The Company has guaranteed certain borrowings of subsidiaries and its associated undertaking. At 25th March 2000 the total of those borrowings was £90,456,000.

The Group has operating lease commitments under which the minimum annual rentals are as follows:

	2000 £'000	1999 £'000
Land and buildings		
2-5 years	37	37

21 Capital commitments

	2000 £'000	1999 £'000
The Group has the following capital commitments:		
Authorised and contracted for	3,548	7,101

22 Subsidiary undertakings

The principal subsidiary companies, all of which are registered in England and Wales and are wholly owned unless indicated, are shown below. A company not directly owned by Compco Holdings plc is shown with an asterisk.

	Country of operation	Nature of business
Seymour Development Limited	England	Property investment
Terrington Properties Limited	England	Property investment
Haigside Limited	England	Property investment and trading
*Cadogan Properties Limited	England	Property investment
Compco Camden Limited	England	Property investment

23 Directors' interests in transactions

During the year the Group undertook the following transactions in which directors had an interest:

- (i) The Group incurred fees totalling £235,282 (1999: £108,461) in respect of the management of certain of the Group's properties by Ross Jaye and Co. Limited. Such fees are at normal market rates and are in certain instances rechargeable to tenants. Nigel Ross and Andrew Jaye have a controlling interest in Ross Jaye and Co. Limited.
- (ii) The amount of other fees paid at normal market rates to Ross Jaye and Co. Limited was £215,419 (1999: £62,748).
- (iii) The Group paid fees at normal market rates totalling £21,345 (1999: £31,423) to Leaver Charles Limited, a company in which Brian Leaver is interested.
- (iv) Ross Jaye and Co. Limited paid rent for use of a property of £80,000 (1999: £80,000), at normal market rates.

24 Post balance sheet event

In May 2000 the Group purchased Thavies Inn House, Holborn Circus, London EC1 for a cash consideration of £12.76 million. Further details are given in the Operating Review.

25 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £'000	1999 £'000
Operating profit	12,184	9,723
Depreciation	39	44
Decrease in stocks	2,121	6,491
Decrease/(increase) in debtors	5,934	(4,309)
Increase/(decrease) in creditors	891	(491)
Amortisation of facility fees	223	72
Net cash inflow from operating activities	21,392	11,530

Notes to the Financial Statements

26 Reconciliation of net cash flow to movement in net debt

	2000 £'000
Increase in cash	(1,852)
Cash inflow from increase in debt and lease financing	(43,857)
Movement in net debt	(45,709)
Net debt at 26th March 1999	(38,242)
Net debt at 25th March 2000	(83,951)

27 Analysis of net debt

	At 26th March 1999 £'000	Cashflow £'000	At 25th March 2000 £'000
Cash at bank	14,465	(1,881)	12,584
Bank overdrafts	(29)	29	—
	14,436	(1,852)	12,584
Bank loans	(52,678)	(43,857)	(96,535)
Total	(38,242)	(45,709)	(83,951)

28 Goodwill

The amount of goodwill eliminated against reserves in prior years is as follows:

	£'000
Negative goodwill on the acquisition of Haigside Limited and credited to other reserves	5,912
Goodwill eliminated against Profit and Loss Account reserves	181