Fletcher King Plc

Annual Report and Accounts 2007

DIRECTORS AND ADVISERS

Directors
DJR Fletcher FRICS *Chairman*
REG Goode FRICS *Managing Director*
HE Richardson *Non Executive **
DH Stewart *Non Executive*

Secretary and Registered Office
JAS Robertson ACIS
Stratton House, Stratton Street, London W1J 8LA

Financial Advisers and Stockbrokers
JPMorgan Cazenove
20 Moorgate, London EC2R 6DA

Solicitors
Boodle Hatfield
89 New Bond Street, London W1S 1DA

Auditors
Nexia Smith & Williamson
25 Moorgate, London EC2R 6AY

Tax Advisers
Smith & Williamson
25 Moorgate, London EC2R 6AY

Principal Bankers
NatWest Bank Plc
63 Piccadilly, London W1A 2AG

Registrars and Transfer Office
Computershare Investor Services Plc
Registrar's Department, PO Box No 82
The Pavilions, Bridgwater Road, Bristol BS99 7NH
Dedicated shareholder telephone number: 0870 889 4095

Audit Committee
HE Richardson, *Chairman*
DH Stewart
DJR Fletcher

Remuneration Committee
DH Stewart, *Chairman*
HE Richardson
DJR Fletcher

*Senior Independent Director

Company Number
02014432

Certificate No. FS27825

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FIVE YEAR SUMMARY OF RESULTS

Year ended 30 April	2003 £000	2004 £000	2005 £000	2006 £000	**2007** **£000**
Revenue	4,614	5,623	6,093	6,117	**7,438**
Operating profit	50	279	347	265	**771**
Share of associates' results	7	9	-	-	**-**
Net finance income	26	44	94	98	**256**
Profit before taxation	83	332	546	600	**1,027**
Basic earnings per share	0.69p	2.49p	4.46p	5.09p	**7.34p**

The figures for 2007, 2006 and 2005 have been prepared under International Financial Reporting Standards and are stated in accordance with the accounting policies set out in note 2. The figures for 2003 and 2004 were prepared under UK GAAP and have not been restated.

FINANCIAL HIGHLIGHTS

	Year ended 30 April 2007 £000	Year ended 30 April 2006 £000
Revenue	**7,438**	6,117
Operating profit	**771**	265
Profit before taxation	**1,027**	600
Taxation	**(351)**	(136)
Profit after taxation	**676**	464
Dividends paid	**322**	334
Basic earnings per share	**7.34p**	5.09p

FINANCIAL CALENDAR

Half Year Results
Announced in January 2007

Full Year Results
Preliminary announcement 10 July 2007

Annual General Meeting
21 September 2007

Final Dividend
Payable 28 September 2007

Interim Dividend
To be announced in January 2008
Payable in February 2008

Results

Turnover for the year was £7.438m (2006: £6.117m) with profit before tax of £1,027,000 (2006: £600,000). The Board is proposing a final dividend of 3.75p per share (2006: 2.5p). The final dividend is subject to shareholders' approval at the Annual General Meeting and will be paid on 28 September 2007 to shareholders on the register at the close of business on 31 August 2007. With the interim dividend of 1.0p per share (2006: 0.63p) already paid, the total ordinary dividend for the year will amount to 4.75p per share (2006: 3.13p).

The Commercial Property Market

The commercial property market continued the trend of the past few years and produced record prices for commercial property investments and record rents in the West End of London.

Occupier demand for all types of space was generally positive which led to rental growth across all sectors.

The only sign of weakness was perhaps in some High Streets where rental growth stalled and there was some drift in investment yields.

REITs finally arrived. After strong initial interest and rising share prices some disillusionment crept in and they have been receiving a poor press. We believe REITs are a useful addition to the property investment market and their tax transparency and the liquidity enjoyed by the larger ones is of positive benefit to many investors.

Property returns for the year to the end of March were 15.6% as measured by IPD and are likely to be around 9% for the coming year. At this level property will continue to produce a return that most balanced portfolio investors will find very acceptable.

Our second SHIPS fund is now fully invested. We recently concluded a successful equity raising for our third Fund and have already agreed to purchase its first property.

Outlook for 2007/2008

Although prices are weakening in the secondary investment market, prime property and deals with added value potential continue to be in strong demand and we do not see that situation changing in the coming months.

The rise in interest rates has made it more difficult to debt finance buying but there is enough equity in the market to sustain interest at current levels. We have a strong pipeline of business for the coming year and look forward to continuing growth.

DAVID FLETCHER
CHAIRMAN
10 July 2007

FLETCHER KING

Fletcher King Fund Management and Investment

As might be expected in such a buoyant investment market the department had an extremely active year. Turnover was fairly evenly divided between sales and purchases compared to last year when most of the activity was buying.

We carried out our first transaction in Continental Europe buying a prime office in Paris for €17.26m. Other significant acquisitions during the year were a Sainsbury's supermarket in Guernsey for £19.25m together with office buildings in the City and Nottingham.

Sales included a Business Park in Ascot for £10.5m and a mixed use portfolio of properties throughout the country for £25m.

Our Fund Management fees continue to be a significant contributor to the department's turnover and we successfully closed the equity raising operation for our latest SHIPS fund where we again co-invested.

Another first for the department this year was investment into the indirect market. We purchased units in WELLput and Hercules for one of our discretionary fund management clients. These transactions were executed by our FSA regulated subsidiary Fletcher King Investment Management Plc.

The coming year is likely to show a repeat of the department's excellent performance and there is already a very strong pipeline of instructions.

Asset Management

The department has met its targets and the added value initiative that I mentioned in my interim statement continues to produce both rental and capital growth.

A number of new instructions were won throughout the year including a large mixed use block of property opposite Gloucester Road station in South Kensington.

David Hall, a director of the operating company, was promoted to Head of the department and under his leadership the department is driving forward successfully.

Valuation and Rating

The department's turnover is significantly up on last year and since my interim statement we have been appointed to the Valuation Panels of AIB and The Ulster Bank.

Despite three interest rate rises, lending to the property sector has not diminished nor has the demand for valuation advice.

At this time last year we predicted a very heavy workload for the forthcoming year on rating and this has been the case. Highlights for the year include a £1.25m rate payment saving for Gate Gourmet on their short haul kitchen at Heathrow Airport, a 22% reduction in rate liability for The Merchant Group in Milton Keynes and a total rate saving of £216,000 for WSP Plc on their headquarters in Holborn.

Whilst Central Government pressure on the Valuation Office to deal with outstanding deals as rapidly as possible has now relaxed we have a significant volume of appeals still be to negotiated and anticipate a busy year to come.

Landlord and Tenant

The Landlord and Tenant department enjoyed its most successful year since its establishment in 2003 and turnover this year increased by 20%.

Highlights included a rent review on a 170,000 sq.ft. distribution unit in Bristol and a 65,000 sq.ft. Call Centre in the North-East. We achieved a 36% increase in rent for a landlord on a Bond Street shop and saved £250,000 per annum from the quoting rent for a tenant on the North Circular Road.

The department has a strong pipeline of work for the coming year.

FLETCHER KING HOWARD

At the end of the year George Howard, the company's long serving Chairman, retired and we wish him all the very best for the future and thank him for his contribution to the company over very many years. Our non-executive Director, Harry Richardson, has been appointed Chairman for an interim period and Jonathan Howard has been appointed Managing Director.

Fletcher King Howard had a busy work load in 2006 which saw the completion of the Travelodge Hotel in Hatfield, as part of Frontier Estates' town centre redevelopment scheme; the completion of AGCO's £12 million HQ Offices at Stonely Park, Coventry; and the occupation of the £12 million Malcolm Arnold House, a medium secure mental healthcare facility for St Andrew's Healthcare in Northampton.

Also completed during the year was the largest Agri-processing plant in Europe with the construction of Moy Park's poultry processing plant at Sleaford, Lincolnshire. Two medium secure units for St Andrew's Hospital, the £12 million Smyth House facility in Northampton, and the £6 million Clare House facility at Basildon, Essex were completed.

New orders for 2007 include two more Travelodge Hotels, in Blackpool and Uxbridge; a roll-out programme for Swanton Care & Community on their complex needs units nationwide; and a similar commission for Barchester Healthcare on several old persons care homes.

Work continues on the VOSA (Vehicle and Operating Services Agency) programme comprising the refurbishment of their vehicle testing centres throughout the UK, and for Carlsberg on their UK distribution network. Work also continues on Education projects for Berkhamsted, Spratton Hall and St Albans private schools, and on state schools through the Government's PFI initiative.

Group activities and financial highlights for the year

Fletcher King Plc ('the Company') and its subsidiaries (together 'the Group') carry on the business of commercial estate agency, property fund management, surveying and project management throughout the United Kingdom.

A review of the Group's business activities and the financial highlights for the year ended 30 April 2007 are set out in the Chairman's Statement and Divisional Review on pages 4 to 6.

The increase in operating profit reflects the strong performance of the property market, the timing of certain investment transactions and the successful conclusion of the Group's first SHIPS fund.

Treasury policies and risk management

The Group manages its treasury operations in accordance with policies and procedures approved by the Board. Information about the Group's financial instruments and cashflow forecasting is set out in note 3 of the accounts. The Group has no borrowings. As the Group operates almost exclusively in the United Kingdom, there are no significant direct foreign exchange risks.

Finance income and taxation

The Group recorded a profit of £132,000 (2006: nil) on its 4% holding in the first SHIPS fund following the successful sale of the properties in the portfolio. Income from the Group's available-for-sale investments and net bank interest amounted to £124,000 (2006: £98,000) reflecting higher average cash balances and deposit rates.

The effective taxation charge increased from 22.7% to 34.1% due to the benefit last year of tax-free compensation received under the Landlord and Tenant Act following the ending of a leasehold interest in office premises occupied by a group company.

Capital and equity interests

Basic earnings per share amounted to 7.34p (2006: 5.09p), an increase of 44%. Fully diluted earnings per share amounted to 7.33p (2006: 5.06p).

The Board is recommending a final dividend of 3.75p per share, making 4.75p for the full year, an increase of 52% over 2006.

During the year no shares were issued to directors or employees pursuant to the exercise of share options. The total number of ordinary shares in issue at 30 April 2007 was 9.2 million (2006: 9.2 million).

Cash flow and liquidity

Net cash inflow from operating activities amounted to £1,007,000 (2006: £424,000) which, after allowing for cash flows including taxation, dividends and capital expenditure, as well as the sale of the investment in SHIPS, produced a net increase in cash balances of £847,000 (2006: £226,000).

At 30 April 2007, the Group's cash at bank and on short term deposit amounted to £3.0 million (2006: £2.1 million). This was deposited with banks with top credit ratings.

International Financial Reporting Standards

There are no new International Financial Reporting Standards or interpretations affecting these accounts.

Corporate social responsibility

The Board recognises the importance of social and environmental matters in the conduct of the Group's business and remains committed to social and environmental awareness throughout its operations, notwithstanding the relatively low environmental impact of the Group's activities.

Energy efficiency, recycling and the use of "fair trade" products are encouraged.

The Board recognises that enthusiastic, well-trained and high-quality staff are essential to the achievement of the Group's commercial objectives. Participation in the success of the Group is encouraged via comprehensive incentive schemes.

The Group provides employment on an equal basis irrespective of race, sex, disability, sexual orientation and religious beliefs. Employee communication and feedback is encouraged across the Group.

The Directors present their report and accounts for the year ended 30 April 2007.

Principal Activities and Business Review

The Group carries on the business of property fund management, property asset management, rating, valuations and construction services, providing a comprehensive range of services and expert advice throughout the United Kingdom.

A review of the Group's business and activities during the year and its future prospects is contained in the Chairman's Statement, the Divisional Review, and the Operating and Financial Review.

Results and Dividend

The consolidated income statement is set out on page 20. The balance to be transferred to reserves is £676,000 (2006: £464,000). The Directors recommend the payment of an ordinary final dividend of 3.75p (2006: 2.5p) per share. An interim dividend of 1.0p (2006: 0.63p) per share has already been paid to shareholders.

Political and Charitable Donations

During the year the Group made no charitable donations or political contributions (2006: £ nil).

Directors

The current Directors of the Company are set out on page 1.

G Howard served as a Director and as Managing Director from 1 May 2006 until his retirement on 30 April 2007. REG Goode was appointed Managing Director on 30 April 2007.

DH Stewart retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

HE Richardson offers himself for re-election at the forthcoming Annual General Meeting in accordance with the provisions of The Combined Code on Corporate Governance (the "Combined Code").

DH Stewart, aged 61, has had a long career in banking. At Abbey National he led the Business Finance Division and was responsible for all business banking and asset finance activities of First National Bank and Abbey National. Prior to that he held senior appointments with TSB Group, Hill Samuel Bank, Creditanstalt and County NatWest Limited. He is currently a director of IDDAS Limited and a non-executive director of Davenham Group plc and Laird Capital Limited.

HE Richardson, aged 61, is a past IT Services Chairman/CEO who played a leading role in the international growth of Electronic Data Systems. He has extensive experience of acquisition integration, complex outsourcing transactions, turnaround management and new geographical start-ups. He is a non-executive director of Hazell Carr Plc, a leading outsourcing specialist to life assurance companies.

Details of Directors' interests in the shares of the Company are set out in the Remuneration Report on pages 15 to 17.

No Director had any material interest in contracts during the year with the Company, apart from service contracts.

Post Balance Sheet Events

On 4 May 2007 Fletcher King Plc entered into a new 10 year operating lease over office premises in London.

Supplier Payment Policy

The Company's policy, which is also applied by the Group, is to settle the terms of payment with suppliers when agreeing the terms of each transaction. This ensures that suppliers are made aware of the terms of payment. Trade creditors of the Group at 30 April 2007 were equivalent to 14 days (2006: 20 days) purchases, based on the amount invoiced by suppliers during the year.

Substantial Shareholdings

New provisions contained in the Companies Act 2006 and the new Disclosure and Transparency Rules issued by the Financial Services Authority have replaced the previous disclosure requirements contained in the Companies Act 1985. The main effect of this change is to extend disclosure obligations to indirect shareholders who are entitled to acquire, dispose of or exercise voting rights.

Up to 10 July 2007, other than the interests of the Chairman as set out in the Remuneration Report, and the persons noted below, the Directors are aware of no direct or indirect interest of 3% or more in the issued share capital of the Company.

	Number of Ordinary Shares	*%*
Barclays Plc	1,062,161	11.53
District & Urban Group	957,562	10.40
Transcribe SSA PF	470,000	5.10
J Marsh Esq	375,000	4.07
S de Zoete Esq	340,000	3.69
Gartmore Fledgling Trust Plc	288,585	3.13
Aberdeen Holdings Limited	285,000	3.09

Authority to Allot Unissued Shares

In accordance with normal practice the Directors propose to take the usual authorities under Sections 80 and 95 of the Companies Act 1985. Therefore it is proposed to extend the Section 80 authority given at the last Annual General Meeting on 22 September 2006 for a further year in respect of ordinary 10p shares up to a maximum of 1,790,221 shares (£179,022). Apart from possible issues under the Employee Share Option Scheme there is at present no intention of issuing any further ordinary shares. In any event, no issue will be made which would effectively alter the control of the Company without the prior approval of the Company in general meeting.

Purchase of Shares

The Directors, in line with boards of directors of other listed companies, consider that it would be appropriate for the Company to have the authority to purchase its own shares as one of a range of investment options available to them, more especially if the purchase of its own shares produced an improvement in earnings per share. Shareholders should be assured that the Board will commence share purchases only after careful consideration and after taking account of the overall financial position of the Group. An ordinary resolution will be proposed to authorise the Company to make market purchases of up to a maximum of 460,000 of its own shares, representing less than 5% of the existing issued ordinary shares. The maximum price to be paid on any exercise of the authority will be restricted to 5% above the average of the middle market quotation as derived from The London Stock Exchange Daily Official List for the ordinary shares for the ten dealing days immediately prior to purchase. The minimum price that may be paid for the ordinary shares is the nominal value of 10p per share. The authority for the purchase sought at the Annual General Meeting will expire at the conclusion of the following Annual General Meeting which is expected to take place in September 2008. The intention of the Board is to seek to renew the authority at future Annual General Meetings.

Corporate Governance

Statement of compliance

The Combined Code seeks to promote the principles of openness, integrity and accountability. These are principles that the Board fully supports and seeks to apply. Save for the exceptions outlined below, the Company has complied throughout the year ended 30 April 2007 with the provisions of the Combined Code:

- The Audit Committee and the Remuneration Committee do not comprise solely non-executive directors as the Chairman is also a member, given the small size of the Board.
- The Audit Committee does not comprise three non-executive directors. In common with many public companies of similar size, the Directors consider that for the smaller public company two non-executive directors are sufficient to give the appropriate degree of independence to the Board.
- The appointment of all directors is a formal process involving all members of the Board and therefore a Nomination Committee has not been established. The Code exempts 'small' boards from such a requirement.
- The Group does not have an internal audit function. In view of the size of the Group the Directors consider that such a function is not necessary. Internal systems and controls are monitored by senior management.

Internal Control

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets, the Directors recognise that they have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance.

The key features of the internal control system that operated throughout the period of the accounts and up to 10 July 2007, and which followed the Turnbull guidance 2005, were as follows:

- *Control Environment.* The Board has put in place an organisational structure with clearly defined and understood lines of responsibility and delegation of authority from the Board.

- *Identification and Evaluation of Business Risks and Control Objectives.* The Board identifies the major business risks facing the Group and develops appropriate policies to manage those risks.

- *Information System.* The Group operates a comprehensive annual planning and budgeting system with an annual budget approved by the Board. There is a financial reporting system which compares results of each area of the business with budgets and which updates forecasts on a monthly basis. These reports are reviewed with the full Board on a quarterly basis.

- *Main control procedures.* The Board has adopted a schedule of matters which are required to be brought to it for decision thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. Financial controls and procedures are communicated to employees and include procedures for undertaking major transactions and organisational changes and relating to the security of assets.

- *Monitoring.* The Board has delegated to executive management implementation of the system of internal financial control procedures. The operation of the system is monitored by senior financial staff who report to the Audit Committee. A formal review of the effectiveness of the group's system of internal controls and a formal risk review have been carried out by the Board and have identified those controls that mitigate the risks. The Board carries out periodic reviews to identify new risks and changes to existing risks. Where additional controls and procedures are required, suitable action plans are put in place and progress against these is monitored by the Board.

- *Remedial actions.* Necessary actions have been, or are being taken, to remedy any significant failings or weaknesses identified by the Board's review of the effectiveness of the system of internal control.

Going Concern

In accordance with the guidance for directors of listed companies 'Going Concern and Financial Reporting' and after making appropriate enquiries, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these accounts. This is based on the Directors' opinion that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

Directors

The Company is controlled by a Board of Directors comprising an Executive Chairman, a Managing Director, and two non-executive Directors. All Directors may take independent professional advice in furtherance of their duties at the Group's expense and appropriate insurance cover in respect of legal action against Directors is maintained.

The Board meets regularly during the year. It is responsible for the overall strategy and direction of the Group and for monitoring management performance, major capital and development expenditure and significant financing matters. The Board met on four occasions during the year under review, with full attendance save that Mr George Howard was absent on one occasion.

The Board monitors exposure to key business risks and reviews the strategic direction of the Group's trading subsidiaries, their annual budgets, and their progress against those budgets and their development programmes. The Board also considers employee issues and key appointments.

All Directors submit themselves for re-election at least once every three years.

HE Richardson and DH Stewart served as non-executive Directors throughout the year. The non-executive Directors retire by rotation in the same manner as the executive Directors, in accordance with the Company's Articles of Association. HE Richardson has served on the Board for more than nine years. However, given his experience and integrity, the Board does not consider his independence to be affected, and believes that his re-election will permit him to continue to make a valuable and effective contribution to its deliberations.

The non-executive Directors are independent of management and monitor its actions and the Group's performance. They are kept fully informed of major operational and strategic issues which may arise between Board meetings. Individually, they bring a complementary, but diverse, set of skills and experience to the Board.

On an annual basis the Chairman appraises the performance of each of the executive Directors and the non-executive Directors. The Chairman is appraised by the senior non-executive Director, who also reviews the performance and effectiveness of the Board Committees.

The Board has an Audit Committee and a Remuneration Committee. Each committee met on two occasions during the year under review, with full attendance. Each committee operates within defined terms of reference, and comprises the non-executive Directors and the Chairman.

Relations with Shareholders

The Group encourages two-way communication with both institutional and private investors and responds promptly to queries received. All shareholders have at least twenty working days' notice of the Annual General Meeting. The Directors and Committee chairmen are introduced and are available for questions at the Annual General Meeting.

Remuneration Committee

The composition of the Committee is set out on page 1. The Committee meets as and when appropriate and, with the help of periodic reports from independent remuneration consultants, is responsible for recommending Directors' remuneration, the terms and conditions of their service contracts, and the allocation of options to Directors. Except for the fact that the Remuneration Committee did not exclusively contain non-executive Directors, the Remuneration Committee complied with Section A of the best practice provisions of the Listing Rules.

The Committee has complied with the best practice provisions set out in Section B annexed to the Listing Rules, both in making this statement and in determining its proposals for the year commencing 1 May 2007. The Committee's objective is to provide executive Directors with packages which attract, retain and motivate directors of the quality required. Full details of the Directors' remuneration and share options are given in the Remuneration Report.

Audit Committee

The composition of the Committee is set out on page 1. The Committee meets at least twice each year to consider the Company's public reports and to review the work of the external auditors. The Committee satisfies itself that the auditors remain independent and monitors the level of non-audit services supplied to the group. The auditors confirm their independence in writing to the Committee on an annual basis.

Directors' Responsibilities

UK company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. After making enquiries, the Directors 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. In preparing the accounts, the Directors are required to select suitable accounting policies and then to apply them consistently; to make judgements and estimates that are reasonable and prudent; to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and to prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Other Matters

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring that the Directors' Report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Disclosure of Information to the Auditors

In the case of each person who was a Director at the time this report was approved, so far as that Director was aware there was no relevant available information of which the Company's auditors were unaware; and that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

Auditors

A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board on 10 July 2007.

J A S Robertson

Remuneration Committee

The Remuneration Committee, which consists of the Chairman and the non-executive Directors, makes recommendations to the Board on the framework of executive remuneration and determines specific remuneration packages on their behalf. The Chairman attends the Remuneration Committee meetings but is not present when his own remuneration is being considered.

Remuneration Policy

Remuneration policy is directed towards linking executive remuneration with the performance of the Group, consistent with normal practice in the industry. Annual bonuses are calculated on a formula basis by reference to pre-tax profits, which, in relation to DJR Fletcher and REG Goode, relate to the performance of Fletcher King Services Limited, and in relation to G Howard, related to the performance of Fletcher King Howard Limited. Share options are granted having regard to an individual's seniority within the business and together with the Group's employee share ownership plan, are designed to give executive Directors an interest in the increase in the value of the Group.

Service Contracts

It is the policy of the Company that all Executive Directors should have service contracts that are terminable on no more than six months' notice and that contracts should not have a fixed term. Any contractual payments on early termination by the Company would be by reference to the contractual notice period only, subject to the general duty to mitigate.

Executive Directors	Date of service contract	Date of appoint-ment	Maximum notice period
DJR Fletcher	17.11.86	01.11.86	6 months
G Howard	01.11.91	01.11.91	6 months
REG Goode	05.05.92	05.05.92	6 months

Non-executive Directors	Date of letter of appoint-ment	Date of appoint-ment	Expiry of current term of office
HE Richardson	27.10.93	01.11.93	Annually
DH Stewart	19.06.02	01.07.02	Annually

Outside Directorships

None of the executive Directors has external non-executive Directorship positions.

Non-executive Directors

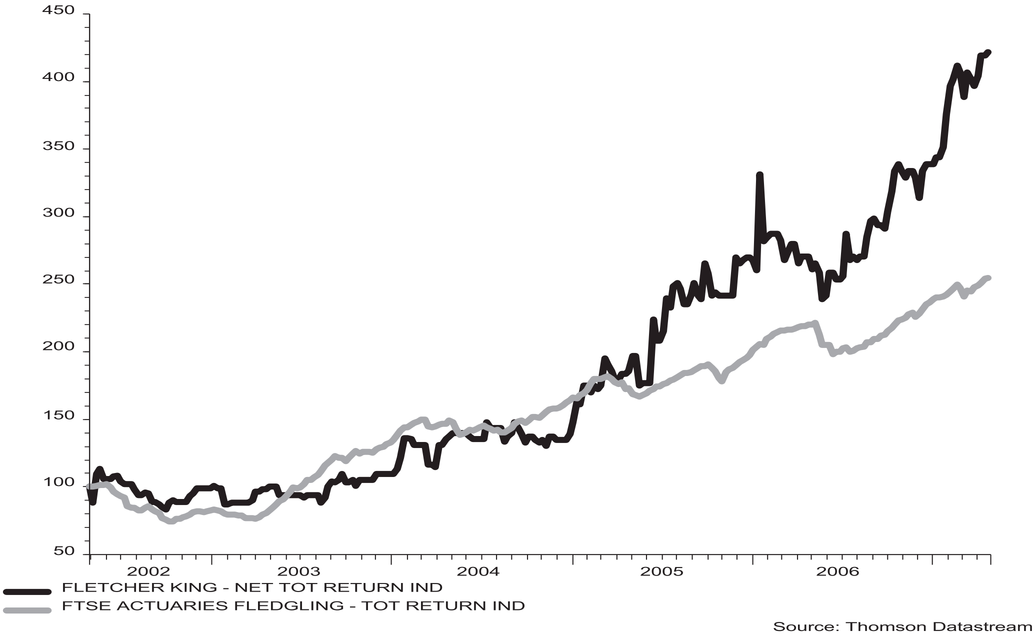
The fees of the non-executive Directors are determined by the executive Directors and are designed to reflect the time and experience which these Directors bring to the Company and to the Group.

On 3 January 2007 HE Richardson was appointed Chairman of Fletcher King Howard Limited in order to assist the new management team of that company.

Performance Graphs

The Remuneration Report Regulations provide that the Company must provide a graph comparing the Total Shareholder Return (TSR) performance of the hypothetical holding of shares in the Company with a broad equity market index over a five year period (the 'Compliance Graph'). In this context, the Directors have chosen to illustrate the performance of TSR against the FTSE Fledgling Index. In the opinion of the Directors, the FTSE Fledgling Index is the most appropriate index against which TSR should be measured because it is a widely used and understood index of UK companies of a broadly similar size to the Company. The Compliance Graph is shown below.

Compliance Graph – Historical TSR Performance



Directors' Emoluments (audited)	2007	2006
	£000	£000
Fees	**88**	50
Salaries and benefits	**334**	314
Post-employment benefits	**104**	—
Performance-related bonuses	**914**	374
	1,440	738

No executive Directors at 30 April 2007 received any pension entitlements.

	Salary	Benefits	Bonus	Post-employment benefits	Fees	2007	2006
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	£000
DJR Fletcher	**98**	**28**	**457**	**—**	**—**	**583**	307
REG Goode	**98**	**17**	**457**	**—**	**—**	**572**	294
G Howard	**76**	**17**	**—**	**104**	**—**	**197**	87
HE Richardson	**—**	**—**	**—**	**—**	**55**	**55**	25
DH Stewart	**—**	**—**	**—**	**—**	**33**	**33**	25
	272	**62**	**914**	**104**	**88**	**1,440**	738

The non-executive Directors received basic fees of £15,000 each in both the year ended 30 April 2007 and the year ended 30 April 2006. Additional fees were paid in both years in respect of specific additional work performed.

No new share options were granted in the current or previous year. During the year ended 30 April 2006, the three Executive Directors each made gains of £34,200 from the exercise of share options granted in 1996.

Directors' Interests (audited)

At 30 April 2007, the interests of the Directors in the Company's ordinary shares, all of which were beneficial, were as follows:

	Number of ordinary shares	
	30 April 2007	1 May 2006
DJR Fletcher	**1,344,360**	1,344,360
G Howard	**109,900**	109,900
REG Goode	**100,000**	100,000
HE Richardson	—	—
DH Stewart	**20,000**	20,000

At 30 April 2007 and 30 April 2006 no director held any options to acquire ordinary shares.

There were no changes in the shareholdings of any of the Directors between 1 May 2007 and 10 July 2007.

The share price during the year was within the range 50.0p – 93.5p and at the year end was 93.5p.

This report was approved by the Board on 10 July 2007.

J A S ROBERTSON

Independent auditors' report to the shareholders of Fletcher King plc

We have audited the group and parent company accounts (the 'accounts') of Fletcher King plc for the year ended 30 April 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Change in Shareholders' Equity and the related notes 1 to 25. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the accounts in accordance with applicable law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group accounts, Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Divisional Review and the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, 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 the information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Divisional Review, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration report to be audited.

Opinion

In our opinion:

- the group accounts give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 April 2007 and of its profit for the year then ended;
- the parent company accounts give a true and fair view, in accordance with those IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 April 2007;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson
Chartered Accountants and Registered Auditors
25 Moorgate London EC2R 6AY
10 July 2007

CONSOLIDATED INCOME STATEMENT

for the year ended 30 April 2007

Notes		2007 £000	2006 £000
	Revenue	**7,438**	6,117
7	Employee benefits expense	**(4,602)**	(4,019)
13	Depreciation expense	**(114)**	(86)
	Other operating expenses	**(1,951)**	(1,747)
	Operating profit	**771**	265
8	Other income	**—**	237
9	Profit on disposal of non-current assets held for sale	**132**	—
9	Income from investments	**18**	34
9	Finance income	**106**	66
9	Finance expense	**—**	(2)
	Profit before taxation	**1,027**	600
10	**Taxation**	**(351)**	(136)
	Profit for the year after taxation attributable to equity shareholders	**676**	464
12	Basic earnings per share	**7.34p**	5.09p
12	Diluted earnings per share	**7.33p**	5.06p

All the Group's activities are considered continuing.

Gains and/or losses in either year which are not reflected in the income statement are included in the Consolidated Statement of Changes in Equity on page 25.

as at 30 April 2007

Notes		2007 £000	2006 £000
	Assets		
	Non-current assets		
13	Property, plant and equipment	**125**	144
15	Available-for-sale investments	**897**	597
		1,022	741
	Current assets		
16	Trade and other receivables	**1,600**	1,485
	Amounts recoverable on contracts	**222**	202
17	Cash and cash equivalents	**2,990**	2,143
		4,812	3,830
15	Non-current assets classified as held for sale	**–**	393
	Total assets	**5,834**	4,964
	Liabilities		
	Current liabilities		
18	Trade and other payables	**395**	359
	Current taxation liabilities	**187**	135
19	Other creditors and provisions	**1,605**	1,085
		2,187	1,579
	Non-current liabilities		
20	Deferred taxation liabilities	**94**	122
	Total liabilities	**2,281**	1,701
	Shareholders' equity		
21	Share capital	**921**	921
	Share premium	**140**	140
	Reserves	**2,492**	2,202
	Total shareholders' equity	**3,553**	3,263
	Total equity and liabilities	**5,834**	4,964

Approved by the Board on 10 July 2007 and signed on its behalf by

David Fletcher

Chairman

COMPANY BALANCE SHEET

as at 30 April 2007

Notes		2007 £000	2006 £000
	Assets		
	Non-current assets		
14	Investments in group undertakings	**633**	633
	Current assets		
16	Trade and other receivables	**50**	2
17	Cash and cash equivalents	**1,263**	1,434
		1,313	1,436
	Total assets	**1,946**	2,069
	Liabilities		
	Current liabilities		
18	Trade and other payables	**13**	-
19	Other creditors and provisions	**19**	19
		32	19
	Total liabilities	**32**	19
	Shareholders' equity		
21	Share capital	**921**	921
	Share premium	**140**	140
	Reserves	**853**	989
	Total shareholders' equity	**1,914**	2,050
	Total equity and liabilities	**1,946**	2,069

Approved by the Board on 10 July 2007 and signed on its behalf by

David Fletcher

Chairman

for the year ended 30 April 2007

	2007 £000	2006 £000
Cash flows from operating activities		
Profit before taxation	**1,027**	600
Adjustments for:		
Depreciation expense	**114**	86
Profit on disposal of non-current assets held for sale	**(132)**	—
Income from investments	**(18)**	(34)
Finance income	**(106)**	(66)
Finance expense	**—**	2
Cash flows from operating activities before movement in working capital	**885**	588
(Increase) / decrease in trade and other receivables	**(115)**	145
Increase / (decrease) in trade and other payables	**556**	(148)
Increase in work in progress	**(20)**	(3)
Cash generated from operations	**1,306**	582
Finance expense	**—**	(2)
Taxation paid	**(299)**	(156)
Net cash flows from operating activities	**1,007**	424
Cash flows from investing activities		
Purchases of equipment	**(95)**	(68)
Purchase of investments	**(250)**	—
Sale of investments	**383**	—
Finance income	**106**	66
Income from investments	**18**	34
Net cash flows from investing activities	**162**	32
Cash flows from financing activities		
Proceeds from the issue of equity shares	**—**	104
Dividends paid to shareholders	**(322)**	(334)
Net cash flows from financing activities	**(322)**	(230)
Net increase in cash and cash equivalents	**847**	226
Cash and cash equivalents at start of year	**2,143**	1,917
Cash and cash equivalents at end of year (note 17)	**2,990**	2,143

COMPANY CASH FLOW STATEMENT

for the year ended 30 April 2007

	2007 £000	2006 £000
Cash flows from operating activities		
Profit before taxation	**186**	259
Adjustments for:		
Finance income	**(59)**	(57)
Dividends received from subsidiary undertakings	**(322)**	(336)
Cash flows from operating activities before movement in working capital	**(195)**	(134)
(Increase) / decrease in trade and other receivables	**(48)**	93
Increase in trade and other payables	**13**	12
Cash absorbed by operations	**(230)**	(29)
Cash flows from investing activities		
Dividends received from subsidiary undertakings	**322**	336
Finance income	**59**	57
Net cash flows from investing activities	**381**	393
Cash flows from financing activities		
Proceeds from the issue of equity shares	**–**	104
Dividends paid to shareholders	**(322)**	(334)
Net cash flows from financing activities	**(322)**	(230)
Net (decrease)/increase in cash and cash equivalents	**(171)**	134
Cash and cash equivalents at start of year	**1,434**	1,300
Cash and cash equivalents at end of year (note 17)	**1,263**	1,434

GROUP

	Share capital £0000	Share premium £000	Profit and loss £000	Fair value reserve £000	Total reserves £000	TOTAL EQUITY £000
Balance at 1 May 2005	881	76	1,732	207	1,939	2,896
Net profit for the year	—	—	464	—	464	464
Fair value gain on investments	—	—	—	193	193	193
Deferred taxation adjustment	—	—	—	(60)	(60)	(60)
Total income and expense for the year	—	—	464	133	597	597
Issue of ordinary shares	40	64	—	—	—	104
Equity dividends paid	—	—	(334)	—	(334)	(334)
Balance at 1 May 2006	**921**	**140**	**1,862**	**340**	**2,202**	**3,263**
Net profit for the year	**—**	**—**	**676**	**—**	**676**	**676**
Transfer of realised gains on disposal	**—**	**—**	**—**	**(142)**	**(142)**	**(142)**
Deferred taxation adjustment	**—**	**—**	**—**	**43**	**43**	**43**
Fair value gain on investments	**—**	**—**	**—**	**50**	**50**	**50**
Deferred taxation adjustment	**—**	**—**	**—**	**(15)**	**(15)**	**(15)**
Total income and expense for the year	**—**	**—**	**676**	**(64)**	**612**	**612**
Equity dividends paid	**—**	**—**	**(322)**	**—**	**(322)**	**(322)**
Balance at 30 April 2007	**921**	**140**	**2,216**	**276**	**2,492**	**3,553**

The profit and loss reserve comprises the undistributed profits of the Group. The fair value reserve comprises the cumulative unrealised change in the fair value of available-for-sale investments, including those reclassified as non-current assets held for sale, as well as the deferred tax movements associated therewith.

COMPANY

	Share capital £000	Share premium £000	Profit and loss £000	TOTAL EQUITY £000
Balance at 1 May 2005	881	76	1,064	2,021
Net profit for the year	—	—	259	259
Issue of ordinary shares	40	64	—	104
Equity dividends paid	—	—	(334)	(334)
Balance at 1 May 2006	**921**	**140**	**989**	**2,050**
Net profit for the year	**—**	**—**	**186**	**186**
Equity dividends paid	**—**	**—**	**(322)**	**(322)**
Balance at 30 April 2007	**921**	**140**	**853**	**1,914**

The profit and loss reserve comprises the undistributed profits of the Company.

1. General information

Fletcher King Plc ('the Company') and its subsidiaries (together 'the Group') carry on the business of property fund management, property asset management, rating, valuations and construction services throughout the United Kingdom. The Company is a public limited company incorporated and domiciled in England and Wales and listed on The London Stock Exchange. The registered office address is Stratton House, Stratton Street, London W1J 8LA. These consolidated financial statements were approved for issue by the Board of Directors on 10 July 2007. They are presented in sterling which is the Group's functional currency. The Group has no overseas operations.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies, which are also applicable to the financial statements of the Company, have been consistently applied to all the years presented, except as noted in the Five Year Summary on page 2.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and under the historical cost convention as modified by the revaluation of available-for-sale financial assets. At the date of authorisation of these financial statements, there are no standards and/or interpretations in issue but not yet effective which would, in the opinion of the Directors, have a material impact in future periods on the financial statements of the Group. The Group has not applied early the additional disclosure requirements for financial instruments contained in IFRS 7 which is effective for annual periods beginning on or after 1 January 2007.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are highly significant to the financial statements, are set out below.

Basis of consolidation

The financial statements consolidate the accounts of the Company and all subsidiary undertakings drawn up to the same year end.

Subsidiaries and associates

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary entities are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

In respect of subsidiaries, inter-company transactions, balances and unrealised gains on intra-group transactions are eliminated on consolidation.

The accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Acquisitions and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiary entities by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill arising on acquisitions in periods prior to the application of IFRS was written off directly to profit and loss reserves. In accordance with IFRS, this goodwill remains written off and is not recognized in the Group's consolidated balance sheet. This goodwill will not be transferred to the income statement on any subsequent impairment in value or disposal of the business to which it relates.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The Directors have identified the activities of Fletcher King Howard as forming a separate business segment to the activities of the rest of the Group. As substantially all of the Group's activities take place in the United Kingdom, no geographical segmentation is presented in these financial statements.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical cost, net of depreciation, at rates calculated to write off the cost, less residual value, of each asset over its expected useful life. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Motor vehicles, office furniture and fittings, computer equipment and acquired software licences, are depreciated at rates between 25% and 33% per annum on a straight line basis in order to allocate the cost of each asset to its residual value over its estimated useful life. Short leasehold premia and improvements are depreciated over the lease life. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

Investments in group undertakings

Investments held by the Company in subsidiary entities, not held for sale, are shown at cost less any provision for permanent impairment in value.

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments

Investments held by the Company in subsidiary entities, not held for sale, are shown at cost less any provision for permanent impairment in value.

The Directors determine the classification of investments held by the Group at initial recognition and re-evaluate this designation at each reporting date. At the balance sheet date all these investments were classified as available-for-sale. Available-for-sale investments are initially recognised as cost, being the fair value of the consideration given and including associated acquisition costs. On subsequent measurement, available-for-sale investments are measured at either fair value, or at cost where fair value is not readily ascertainable. Changes in fair value are recognised in equity, together with the related deferred tax asset or liability. When such investments are disposed of, the accumulated gains or losses, previously recognised in equity, are transferred to the income statement.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Trade and other receivables

Trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

All financial assets are reviewed annually for impairment, and permanent impairment losses are reflected in the income statement. Investment income is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, call deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Amounts recoverable on contracts
Amounts recoverable on contracts represent costs incurred on specific project management contracts, net of amounts transferred to cost of sales, in respect of work recorded in revenue, less foreseeable losses and payments on account not matched with revenue. No profit is recognised until the contract has advanced to a stage where the total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses. Amounts recoverable on contracts are valued at cost plus attributable profits less any foreseeable losses.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Taxation
Current income tax is provided on taxable profits at the current rate. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates applicable at the balance sheet date which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax and deferred tax are reflected in the income statement, unless they relate to items recognized in equity, in which case they are recognized in equity.

Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Revenue recognition
Revenue comprises commissions and fees receivable excluding value added tax. Fees on property transactions for clients are recognised as earned on completion of the transaction, except in the case of long-term developments where non-returnable fees are recognised when they become payable during the course of the development. Fees for other professional services are recognised when they become due, except that fees for quantity surveying, construction management and project management are included in turnover in proportion to the value of work completed.

Interest and investment income is recognised on a time-proportion basis using the effective interest method.

Operating profit
Operating profit is stated before compensation received, income from investments, finance income and costs, profit on disposals, and taxation.

Employee benefits
No pension schemes are operated by the Group. Contributions to employees' money-purchase pension schemes are made on an arising basis where these form part of contractual remuneration obligations. The Group recognises a liability and an expense for cash-settled bonuses when contractually obliged or when there is a past practice creating a constructive obligation.

The fair value of employee services received in exchange for the grant of equity-settled share-based payments granted after 7 November 2002 is recognised as an expense as at the date of grant, and is amortised on a straight line basis over the vesting period.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase agreements are capitalised and included in non-current assets and are amortised in accordance with the depreciation policies detailed above. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Finance charges are debited to the income statement so that the annual rate of charge on the outstanding obligation is approximately constant.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distributions

Dividends distributed to the Company's shareholders are recognised in the Group's financial statements in the period in which the dividends are paid or approved by the Company's shareholders.

3. Financial risk management

The Group's activities expose it to a variety of financial risks. As the Group operates almost exclusively in the United Kingdom, there is no significant exposure to direct foreign exchange risk. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale. The Group is not exposed to commodity price risk. The Group has no significant concentrations of credit risk and has policies in place to ensure that sales are made to clients with an appropriate credit history. The maximum credit risk exposure comprises the aggregate amount of current assets. Due to its policy of maintaining significant liquid balances with highly-rated institutions, the Group has no significant liquidity risk, and the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's financial instruments comprise cash and liquid resources, as well as items such as trade receivables and trade payables which arise from operations. Short and medium-term cash balances are placed on deposit with reference to monthly forecasts of net operational cashflow requirements. Deposits are a mix of floating and fixed rate deposits and therefore the Group is exposed to short-term cashflow and fair value risks in relation to these deposits. In addition the Board reviews on a quarterly basis a forward funding plan which sets out the Group's expected cash flows for the next 12 months.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. While the resulting accounting estimates will, by definition, seldom equal the related actual results, in the opinion of the Directors there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Segmental analysis

Year ended 30 April 2007	General services £000	Construction services £000	Unallocated £000	Total £000
Revenue:				
Sales to external customers	5,435	2,003	—	**7,438**
Revenue from inter-segmental transactions	—	42	(42)	**—**
Total revenue	5,435	2,045	(42)	**7,438**
Operating profit/(loss)	1,115	(150)	(194)	**771**
Profit on sale of available-for-sale investments	132	—	—	**132**
Income from investments	18	—	—	**18**
Finance income	47	1	58	**106**
Profit/(loss) before taxation	1,312	(149)	(136)	**1,027**
Taxation	(359)	8	—	**(351)**
Profit/(loss) for the year after taxation	953	(141)	(136)	**676**

Construction Services comprises the business carried out by Fletcher King Howard Limited. All other types of services as set out in the Chairman's Statement and the Divisional Review are General Services. The unallocated segment comprises the elimination of inter-segmental transactions, holding company costs and other expenses and income and assets and liabilities not directly attributable to the operating activities of the Group's business segments.

Inter-segmental revenues are priced as for sales to external customers.

Segmental assets and liabilities as at 30 April 2007, and capital expenditure and depreciation for the year then ended, are as follows:

	General services £000	Construction services £000	Unallocated £000	Total £000
Segmental assets	3,530	1,036	—	**4,566**
Unallocated assets	—	—	1,268	**1,268**
Total assets	3,530	1,036	1,268	**5,834**
Segmental liabilities	1,851	412	—	**2,263**
Unallocated liabilities	—	—	18	**18**
Total liabilities	1,851	412	18	**2,281**
Net segmental equity	1,679	624	1,250	**3,553**
Capital expenditure	77	18	—	**95**
Depreciation	84	30	—	**114**

5. Segmental analysis (continued)

Year ended 30 April 2006	General services £000	Construction services £000	Unallocated £000	Total £000
Revenue:				
Sales to external customers	4,107	2,010	—	**6,117**
Revenue from inter-segmental transactions	—	58	(58)	**—**
Total revenue	4,107	2,068	(58)	**6,117**
Operating profit/(loss)	288	111	(134)	**265**
Other income	237	—	—	**237**
Income from investments	34	—	—	**34**
Finance income	15	2	49	**66**
Finance expense	(2)	—	—	**(2)**
Profit/(loss) before taxation	572	113	(85)	**600**
Taxation	(122)	(14)	—	**(136)**
Profit/(loss) for the year after taxation	450	99	(85)	**464**

Segmental assets and liabilities as at 30 April 2006, and capital expenditure and depreciation for the year then ended, were as follows:

	General services £000	Construction services £000	Unallocated £000	Total £000
Segmental assets	2,531	977	—	**3,508**
Unallocated assets	—	—	1,456	**1,456**
Total assets	2,531	977	1,456	**4,964**
Segmental liabilities	1,364	305	—	**1,669**
Unallocated liabilities	—	—	32	**32**
Total liabilities	1,364	305	32	**1,701**
Net segmental equity	1,167	672	1,424	**3,263**
Capital expenditure	58	10	—	**68**
Depreciation	60	26	—	**86**

6. Operating profit

Operating profit is stated after charging/(crediting):

Year ended 30 April	2007 £000	2006 £000
Operating lease rentals relating to property	**215**	345
Other operating lease rentals	**117**	127
Rental income	**(29)**	(48)
Fees payable to the Company's auditor for the audit of the Company's consolidated annual financial statements	**5**	5
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the accounts of associates of the Company pursuant to legislation	**25**	20
- other services supplied pursuant to such legislation	**12**	17
- tax services	**12**	12
- other services	**4**	3

As permitted by section 230 of the Companies Act 1985, the Company has taken advantage of the legal dispensation not to present its own income statement. The profit after taxation of the Company for the year was £186,000 (2006: £259,000).

7. Employee benefits expense

Year ended 30 April	2007 £000	2006 £000
Basic wages and salaries	**2,379**	2,654
Performance-based payments	**1,495**	857
	3,874	3,511
Social security costs	**525**	446
Post-employment benefits	**109**	—
Other costs	**94**	62
	4,602	4,019

The average number of persons (including directors) employed the Group was as follows:

Year ended 30 April	2007 No.	2006 No.
Management	**12**	**12**
Professional	**27**	28
Administration	**17**	22
	56	62

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. In the opinion of the Board, the Group's key management comprises the Executive and Non-executive Directors of Fletcher King Plc. Information regarding their compensation, all of which are short-term benefits, is set out in the Remuneration Report on pages 15 to 17.

The Group does not operate any pension schemes.

8. Other income – year ended 30 April 2006

Compensation received under the Landlord and Tenant Act. In connection with the ending of a leasehold interest in office premises occupied by a group company, statutory compensation amounting to £237,000 was received under the provisions of the Landlord and Tenant Act 1954. This compensation was not liable to corporation tax or capital gains tax.

9. Finance income and expense

Year ended 30 April	2007 £000	2006 £000
Finance income		
Income received from available-for-sale investments	**18**	34
Profit on disposal of non-current assets held for sale	**132**	—
Bank interest receivable	**106**	66
Finance expense		
Bank interest payable	**—**	2

10. Income tax

Year ended 30 April	2007 £000	2006 £000
Current tax		
UK corporation tax – current year	**382**	137
UK corporation tax – prior years	**(31)**	(1)
	351	136
Deferred tax		
UK deferred tax – current year	**—**	—
UK deferred tax – prior years	**—**	—
	—	—
Total tax charged in the income statement	**351**	136

Deferred tax arising on the revaluation of available-for-sale investments of £15,000 (2006: £60,000) has been charged to the fair value reserve within equity – see note 20. Deferred tax released on the realisation of available-for-sale investments of £43,000 (2006: £nil) has been credited to the fair value reserve within equity – see note 20.

10. Income tax (continued)

The effective rate of UK corporation tax is calculated as the standard rate of UK corporation tax of 30% less any effective marginal relief. The difference between the total current tax shown above and the amount calculated applying the effective rate of UK corporation tax, to the profit before taxation is as follows:

Year ended 30 April	2007 £000	2006 £000
Profit before taxation	**1,027**	600
Tax on Group profit at UK corporation tax rate of 30% (2006: 28.3%)	**308**	171
Landlord & Tenant Act compensation tax free (note 8)	**—**	(72)
Capital gains tax adjustment on disposal	**(22)**	—
Difference between capital allowances and depreciation	**16**	7
Expenses not deductible for tax purposes	**80**	31
Prior year adjustment	**(31)**	(1)
Group current year tax charge for the year	**351**	136

11. Dividends

Year ended 30 April	2007 £000	2006 £000
Equity dividends on ordinary shares: **Declared and paid during year**		
Ordinary final dividend for the year ended 30 April 2006: 2.5p per share (2005: 2.0p)	**230**	184
Special final dividend for the year ended 30 April 2005: 1.0p per share	**—**	92
Interim dividend for the six months ended 31 October 2006: 1.0p per share (2005: 0.63p)	**92**	58
	322	334
Proposed ordinary final dividend for the year ended 30 April 2007: 3.75p per share	**345**	

The ordinary final dividend for the year ended 30 April 2007 will be proposed at the forthcoming Annual General Meeting and is not reflected in these financial statements.

12 Earnings per share

Basic earnings per share is calculated by reference to the result attributable to equity shareholders of £676,000 (2006: £464,000) and the weighted average of 9,209,779 shares (2006: 9,123,745) in issue during the year.

Diluted earnings per share is calculated by reference to the result attributable to equity shareholders of £676,000 (2006: £464,000) and the weighted average of 9,221,475 shares (2006: 9,175,141) in issue during the year, being the weighted average number of shares adjusted for the weighted average number of share options outstanding at the end of each year.

13. Property, plant and equipment - Group

	Furniture, fittings and computers £000	Motor vehicles £000	Short leasehold premium and improvements £000	Total £000
Cost				
At 1 May 2006	960	72	131	1,163
Additions	41	54	—	95
At 30 April 2007	1,001	126	131	1,258
Depreciation				
At 1 May 2006	861	27	131	1,019
Charge for the year	96	18	—	114
At 30 April 2007	957	45	131	1,133
Net book value at 30 April 2007	**44**	**81**	**—**	**125**
Cost				
At 1 May 2005	952	51	131	1,314
Additions	47	21	—	68
Disposals	(39)	—	—	(39)
At 30 April 2006	960	72	131	1,163
Depreciation				
At 1 May 2005	839	11	122	972
Charge for the year	61	16	9	86
Disposals	(39)	—	—	(39)
At 30 April 2006	861	27	131	1,019
Net book value at 30 April 2006	99	45	—	144

14. Investments in Group undertakings - Company

Year ended 30 April	**2007 £000**	2006 £000
Shares in Group undertakings at cost:		
At 1 May 2006 and 30 April 2007	**633**	633

The Company owns 100% of the ordinary share capital of the following companies registered in England and Wales, the accounts of which are consolidated into the Group accounts: Fletcher King Services Limited, which is the trading subsidiary through which the Fletcher King business is carried on; Fletcher King Investment Management Plc, the group's FSA-regulated investment services company; Fletcher King Howard Limited, which acts as project managers and quantity surveyors; and FK Management Services Limited, which provides personnel to the property management business.

15. Available-for-sale investments – Group

Year ended 30 April	2007 £000	2006 £000
At 1 May	**990**	797
Additions	**250**	—
Disposals	**(393)**	—
Revaluation gain reflected in equity	**50**	193
At 30 April	**897**	990
Classified as:		
Available-for-sale investments	**897**	597
Non-current assets held for sale	**—**	393
	897	990
UK listed equity securities	**346**	316
UK unlisted investments classified as available-for-sale	**551**	281
UK unlisted investments classified as non-current assets held for sale	**—**	393
	897	990

The listed investments are carried at fair value which is based on their market value at the balance sheet date.

Of the unlisted investments at 30 April 2006, £393,000 related to a 4% holding in Stratton House Investment Property Syndicate 1, representing the fair value of the investment based on the valuation in the most recent set of audited Syndicate accounts. This investment was classified as a non-current asset held for sale at 30 April 2006 as the Syndicate was in the process of selling the underlying property portfolio. This disposal was subsequently completed during the year.

Of the unlisted investments of £551,000, £301,000 relates to a 2.5% holding in Stratton House Investment Property Syndicate '04 (2006: £281,000). This represents the fair value of the investment and is based on the most recent set of audited accounts for the Syndicate. The balance of £250,000 represents a partnership interest in the Stratton House Investment Properties Limited Partnership which was acquired during the year. This investment is stated at cost as the Partnership is not yet fully invested.

The fair value of the Group's unlisted investments is not supported by observable market prices or rates.

16. Trade and other receivables

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Trade receivables	**1,303**	1,328	**—**	—
Less provision for impairment	**(6)**	(12)	**—**	—
	1,297	1,316	**—**	—
Amounts owed by group undertakings	**—**	—	**45**	—
Other receivables	**163**	46	**—**	—
Prepayments and accrued income	**140**	123	**5**	2
	1,600	1,485	**50**	2

17. Cash and cash equivalents

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Cash at bank and in hand	**690**	843	**63**	134
Short-term bank deposits	**2,300**	1,300	**1,200**	1,300
	2,990	2,143	**1,263**	1,434

Cash and cash equivalents are all denominated in sterling. The effective interest rate on Group cash balances was 4.5% (2006: 3.2%). There is no material difference between the fair value and book value of cash and cash equivalents.

18. Trade and other payables

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Trade payables	**91**	113	**—**	—
Amounts owed to group undertakings	**—**	—	**10**	—
Other taxation and social security	**249**	217	**3**	—
Other payables	**55**	29	**—**	—
	395	359	**13**	—

19. Other creditors and provisions

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Payments on account received	**96**	54	**—**	—
Bonus accruals	**1,203**	821	**—**	—
Other accruals and deferred income	**306**	210	**19**	19
	1,605	1,085	**19**	19

20. Deferred taxation (non-current) - Group

Year ended 30 April	**2007 £000**	2006 £000
Deferred taxation asset:		
Timing differences on provisions		
At 30 April 2007 and at 1 May 2006	**24**	24
Deferred taxation liabilities:		
Tax charged to equity on fair value adjustments:		
Balance as at 1 May	**146**	86
Charged to/(released from) equity in the year:		
On revaluation of available-for-sale investments	**15**	60
On realisation of available-for-sale investments	**(43)**	—
Balance as at 1 May	**129**	146
Net deferred taxation liabilities	**94**	122

21. Share capital

	30 April 2006 Number	30 April 2005 Number	**30 April 2006 £000**	30 April 2005 £000
Ordinary shares of 10p each:				
Authorised	**11,000,000**	11,000,000	**1,100**	1,100
Issued and fully paid	**9,209,779**	9,209,779	**1,100**	921

The Company has one class of ordinary shares which carry no rights to fixed income. No shares were issued during the year.

22. Share based payments

Executive Share Option Scheme:
As at 1 May 2006, no options were outstanding under this scheme. No new options were issued during the year.

1996 Employee Share Option Scheme:
As at 1 May 2006 25,000 options were outstanding under this scheme. These options were granted on 19 February 1999 and are exercisable for cash between February 2002 and February 2009 at an exercise price of 35p per share. No new options were issued during the year. No options lapsed during the year. At 30 April 2007 25,000 options are extant.

On transition to IFRS, the Group elected not to apply IFRS 2 to the granting of share options prior to 7 November 2002.

23. Capital and operating lease commitments and contingent liabilities

As at 30 April 2007 and 30 April 2006, neither the Group nor the Company had any capital commitments or contingent liabilities.

As at 30 April 2007 and at 30 April 2006, the Group had outstanding commitments under non-cancellable leases which fall due as follows:

	Property leases		Other leases		Total	Total
	2007 £000	2006 £000	**2007 £000**	2006 £000	**2007 £000**	2006 £000
Within one year	297	235	**41**	117	**338**	353
In one to five years	1,447	327	**161**	120	**1,608**	447
After five years	1,900	300	**—**	—	**1,900**	300
	3,644	862	**202**	237	**3,846**	1,099

Property leases relate to office premises occupied by the Group. Other leases relate to motor vehicles and office equipment. Leases are negotiated for periods averaging approximately five years, usually with fixed rentals.

A Group company sublets office space to a third party. The future minimum operating lease rentals receivable under the sublease amount to £6,000, all of which is receivable within one year.

24. Related party transactions

The Group is controlled by Fletcher King Plc, a company registered in England and Wales. Transactions between the Company and its subsidiaries are in the normal course of business and are priced using arm's length prices. Such transactions are eliminated on consolidation and are disclosed in note 5.

Total intercompany balances between the Company and its subsidiaries, which are unsecured and which relate to the provision of working capital, are disclosed in the accounts.

Remuneration information regarding key management personnel is disclosed in the Remuneration Report.

25. Post balance sheet events

On 4 May 2007 Fletcher King Plc entered into a new 10 year operating lease over office premises in London. These operating lease commitments are included in note 23.

Notice is hereby given that the Annual General Meeting of Fletcher King Plc will be held at 61 Conduit Street, London W1S 2GB on 21 September 2007 at 9.00am for the following purposes:

Ordinary Business

1 To receive and adopt the Company's annual accounts for the financial year ended 30 April 2007 together with the last Directors' Report, the last Directors' Remuneration Report and the Auditors' Report on those accounts and the auditable part of the Remuneration Report.

2 To declare a final dividend for the financial year ended 30 April 2007.

3 To re-elect DH Stewart as a Director, who retires by rotation in accordance with the Company's Articles of Association and who offers himself for re-election.

4 To re-elect HE Richardson as a Director, who offers himself for re-election in accordance with the provisions of The Combined Code on Corporate Governance.

Biographical details regarding these Directors and details of their service contracts are included in the accompanying Report and Accounts.

5 To re-appoint Nexia Smith & Williamson as auditors to hold office from the completion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company, at a remuneration to be determined by the Directors.

6 To approve the Directors' Remuneration Report for the financial year ended 30 April 2007.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution number 7 will be proposed as an ordinary resolution and resolutions number 8 and number 9 will be proposed as special resolutions.

7 ORDINARY RESOLUTION

That the Directors of the Company be and are hereby authorised generally and unconditionally for the purpose of Section 80 of the Companies Act 1985 (such authority to be in substitution for all previous authorities granted to the Directors for the purpose of the said Section 80) to allot relevant securities (as defined in that Act) up to a maximum number of 1,790,221 of the unissued ordinary shares of 10p each of the Company with a nominal value of £179,022.10, such authority to expire at the conclusion of the next Annual General Meeting of the Company and at any time thereafter pursuant to any offer or agreement made by the Company before the expiry of this authority.

8 SPECIAL RESOLUTION

That, subject to the passing of resolution 7, the Directors of the Company be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of that Act) pursuant to the authority conferred by the immediately preceding resolution as if subsection (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited:

(a) To the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such other exclusions or arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements for legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any country; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £46,049 (being 5% of the said issued capital of the Company), and shall expire at the conclusion of the next Annual General Meeting of the Company unless it is renewed by special resolution of the Company in general meeting, provided that if the Company before such expiry shall make an offer or agreement which would or might require securities to be allotted after such expiry, the Directors of the Company may allot equity securities in pursuance of such offer or agreements as if the power conferred hereby had not expired.

9 SPECIAL RESOLUTION

That the Company is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ('ordinary shares') provided that:

(a) The maximum number of ordinary shares hereby authorised to be purchased is 460,000;

(b) the maximum price which may be paid for an ordinary share is 5% above the average of the middle market quotations for shares of the same class as derived from The London Stock Exchange Daily Official List for the ten dealing days immediately prior to the date of the purchase of such shares and the minimum price that may be paid for an ordinary share is the nominal value of 10p per share;

(c) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 or eighteen months from the passing of this resolution, if earlier, unless such authority is renewed prior to such time; and

(d) the Company may enter into a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make such purchases of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

J A S Robertson
Secretary
3 August 2007

Registered Office:
Stratton House
Stratton Street
London W1J 8LA

Notes

(a) A member of the Company entitled to attend and vote at the meeting covered by this notice is entitled to appoint a proxy or proxies to attend and on a poll to vote instead of him or her. A proxy need not be a member of the Company. To be valid the form of proxy must be completed, signed and deposited at the office of the Company's registrars not less than 48 hours before the time appointed for the meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.

(b) The following information, which is available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting, will also be available at the place of the Annual General Meeting from 8.30 am on the date of the meeting until the conclusion of the meeting.

(i) Register of interests of directors and their families in the share capital of the Company; and

(ii) Copies of contracts of service under which Directors of the Company are employed by the Company or any of its subsidiary undertakings.

(c) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6.00pm on 19 September 2007 or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6.00pm on the day which is two days before the day of the adjourned meeting, shall be entitled to attend and vote at the meeting.

FORM OF PROXY

For use at the Annual General Meeting of the Company to be held at 9.00 am on 21 September 2007.

I/We *(Block capitals please)* ____

of ____

____

being (a) member(s) of the Company, hereby appoint the Chairman of the Meeting or (see Note 5)

____

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 21 September 2007.

I/We direct my/our proxy to vote on the Resolutions set out in the notice convening the Annual General Meeting as follows:

	For	Vote Withheld	Against
To Adopt Ordinary Resolution 1			
To Adopt Ordinary Resolution 2			
To Adopt Ordinary Resolution 3			
To Adopt Ordinary Resolution 4			
To Adopt Ordinary Resolution 5			
To Adopt Ordinary Resolution 6			
To Adopt Ordinary Resolution 7			
To Adopt Special Resolution 8			
To Adopt Special Resolution 9			

Signature ____________________________ Date __________________________

Notes

1 Please indicate with an 'X' in the spaces provided how you wish your votes to be cast. If you do not indicate how your votes are to be cast the proxy will vote as he thinks fit or abstain. The ''Vote Withheld'' option is provided to enable you to instruct your proxy not to vote on any particular resolution. Please note that a ''Vote Withheld'' has no legal effect and will not be counted in the calculation of the votes ''For'' or ''Against'' a resolution.

2 In the case of a corporation, this form of proxy must be under the common seal or under the hand of an officer or duly authorised attorney. In the case of the joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other registered holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

3 To be effective this form of proxy, and the power of attorney or other authority (if any) under which it is signed of a notarially certified or office copy of such power or authority, must be deposited at the office of the Company's registrars, not less than 48 hours before the time of the meeting.

4 Any alterations made to this form of proxy should be initialled.

5 If you wish to appoint a proxy other than as above please delete the reference to the Chairman and insert the name of your proxy or proxies, who need not be members of the Company, in the space provided. A proxy must attend the meeting in person to represent you. Your appointment of a proxy will not preclude you from attending and voting at the meeting.

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BUSINESS REPLY SERVICE
License No. SWB 1002

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First fold

Computershare Investor Services Plc
Registrar's Department
Registrars of Fletcher King Plc
PO Box No 1075
The Pavilions
Bridgwater Road
Bristol
BS99 3FA

Second fold