

# Notes on The Financial Statements

(Expressed in Hong Kong dollars)

## 1. SIGNIFICANT ACCOUNTING POLICIES

- (a) **Statement of compliance**  
These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.
- (b) **Basis of preparation of financial statements**  
The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and other properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.
- (c) **Basis of consolidation**  
The consolidated financial statements include the financial statements of China Motor Bus Company, Limited and its subsidiaries made up to 30th June each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.
- (d) **Subsidiaries and controlled enterprises**  
A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.  
An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.  
Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.  
In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.
- (e) **Jointly controlled entities**  
A jointly controlled entity is an entity which operates under a contractual arrangement between the group or company and other parties, where the contractual arrangement establishes that the group or company and one or more of the other parties share joint control over the economic activity of the entity.  
An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the group's share of the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the group's share of the post-acquisition results of the jointly controlled entities for the year.  
Unrealised profits and losses resulting from transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.
- (f) **Other investments in securities**  
The group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:  
(i) Other investments in securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the consolidated profit and loss account as they arise.  
(ii) Profits or losses on disposal of other investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the consolidated profit and loss account as they arise.

## Notes on The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Fixed assets

##### (i) Investment properties

Freehold investment properties and those with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value assessed annually by persons holding recognised professional qualifications and every three years by qualified external valuers. Surpluses arising on revaluations on a portfolio basis are credited to the profit and loss account to the extent of any deficits arising on revaluations previously charged to the profit and loss account and are thereafter taken to the investment properties revaluation reserve; deficits arising on revaluations are firstly set off against any previous revaluation surpluses and thereafter taken to the profit and loss account.

On disposal of the investment properties, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve are transferred to the profit and loss account.

##### (ii) Property held for redevelopment

Property held for redevelopment is stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses.

##### (iii) Other properties and fixed assets

Other properties are stated at valuation at 30th June, 2002.

All other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(j)).

##### (iv) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

##### (v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

#### (h) Depreciation

Depreciation is calculated to write off the cost or valuation of the company's and the group's fixed assets over their estimated useful lives as follows:-

Other properties	-	over the period of the lease plus any renewal period
Motor buses	-	on a straight line basis, over 12 years for new buses and 7 years for converted or second hand buses, to a residual value of \$10,000 and \$7,000 respectively
Plant, fixtures and equipment	-	on a straight line basis to write off the assets over 10 or 5 years

No depreciation is provided on property held for redevelopment. Leasehold land is depreciated over its estimated useful life to the extent that the charge would be material.

No depreciation is provided in respect of freehold investment properties or those with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation.

#### (i) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature. Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies, as set out in note 1(p)(i).

## Notes on The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (j) Impairment of assets  
Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:
- fixed assets (other than properties carried at revalued amounts); and
  - investments in subsidiaries and jointly controlled entities (except for those accounted for at fair value under notes 1(d) and (e)).
- If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.
- (i) Calculation of recoverable amount  
The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).
- (ii) Reversals of impairment losses  
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the year in which the reversals are recognised.
- (k) Cash equivalents  
Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.
- (l) Deferred taxation  
Deferred taxation is calculated using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.  
Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.
- (m) Deferred profits  
Profits from the sale of land and buildings to jointly controlled entities for development for resale and investment are deferred to the extent of the group's attributable interest in the jointly controlled entities. The deferred profits will be recognised and taken to profit and loss account as and when the properties are sold by the jointly controlled entities.
- (n) Provisions and contingent liabilities  
Provisions are recognised for liabilities of uncertain timing or amount when the company or group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.  
Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.
- (o) Contingency reserves – insurance  
The company sets aside annually, after receiving independent actuarial advice, an amount to meet possible liabilities arising from third party claims in connection with the operation of franchised motor buses.
- (p) Revenue recognition  
Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated profit and loss account as follows:
- (i) Rental income  
Rental income receivable under operating leases is recognised on a straight line basis over the term of the lease.
  - (ii) Interest income from bank deposits is accrued on a time apportioned basis on the principal outstanding and at the rate applicable.
  - (iii) Dividend income from listed investments is recognised at the time when the right to receive payment is established.

## Notes on The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (q) Translation of foreign currencies  
Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date and the exchange gains and losses arising are dealt with in the profit and loss account. Exchange gains arising on consolidation are taken directly to reserves.
- (r) Retirement costs  
The group operates two defined benefit retirement schemes. The company's contributions to the schemes are made in accordance with the recommendations of independent actuaries who carry out actuarial valuations of the schemes at regular intervals, currently annually, and are charged to the consolidated profit and loss account. Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the consolidated profit and loss account when incurred.
- (s) Related parties  
For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.
- (t) Segment reporting  
A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.  
In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.  
Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.  
Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

### 2. TURNOVER

The principal activities of the company and the group are property development and investment. The principal activities of the subsidiaries are set out in note 12 on the financial statements.

Turnover represents rental income from investment properties.

The analysis of geographical location of the operations of the company and its subsidiaries during the year is as follows:

	Group turnover		Operating profit	
	2002	2001	2002	2001
	\$000's	\$000's	\$000's	\$000's
Geographical locations of operations				
Hong Kong	38,277	39,907	70,080	139,764
United Kingdom	33,407	27,720	34,476	26,829
	<u>71,684</u>	<u>67,627</u>	<u>104,556</u>	<u>166,593</u>

## Notes on The Financial Statements (Continued)

### 3. OTHER INCOME

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Other revenue:		
Dividend income from other investments	87	106
Management fee	496	496
Write back of provision for third party claims	9,023	1,128
Sundry income	1,268	3,335
Other net income/(loss):		
Exchange gain/(losses)	4,672	(2,206)
Net unrealised gains on other investments at fair value	536	222
Gain on disposal of fixed assets	-	597
Gain on sale of other investments	229	-
	<u>16,311</u>	<u>3,678</u>

### 4. OPERATING PROFIT

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Operating profit is arrived at		
after charging:-		
Auditors' remuneration	1,893	1,928
Legal and professional fees	19,910	4,476
Property expenses	<u>1,964</u>	<u>1,900</u>
and after crediting:-		
Rental income less outgoings	69,720	65,727
which includes		
- gross rental income from investment properties	<u>71,684</u>	<u>67,627</u>

### 5. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:-

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Fees	260	295
Bonus in accordance with article 155	750	1,376
Salaries, allowances and other benefits	<u>4,453</u>	<u>13,208</u>
	<u>5,463</u>	<u>14,879</u>

Fees and other emoluments in respect of independent non-executive directors for the year ended 30th June, 2002 amounted to \$330,078 (2001: \$485,330).

## Notes on The Financial Statements (Continued)

### 6. TAXATION

(a) Taxation in the consolidated profit and loss account represents:-

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Provision for Hong Kong profits tax for the year	211	259
Overseas taxation	<u>1,897</u>	<u>1,251</u>
	2,108	1,510
Overprovision in respect of previous year	(156)	(121)
Share of taxation of jointly controlled entities	<u>27,470</u>	<u>11,048</u>
	<u>29,422</u>	<u>12,437</u>

The provision for Hong Kong profits tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year ended 30th June, 2002. The provision for overseas taxation is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) The liability to taxation represents:-

	The group		The company	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$000's	\$000's	\$000's	\$000's
Provision for profits tax for the year	2,108	1,510	-	-
Provisional profits tax paid	<u>(566)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,542	1,510	-	-
Balance of profits tax provision relating to prior years	<u>250</u>	<u>204</u>	<u>-</u>	<u>-</u>
	<u>1,792</u>	<u>1,714</u>	<u>-</u>	<u>-</u>

(c) No provision for deferred taxation is required as there are net deferred tax assets for both the company and the group. The major components of the unprovided deferred tax are:-

	Group and company	
	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Depreciation allowances in excess of related depreciation	824	959
General provisions:		
- third party claims	(6,784)	(9,136)
- others	20	18
Tax losses	<u>(5,765)</u>	<u>(6,720)</u>
Net deferred tax assets not recognised	<u>(11,705)</u>	<u>(14,879)</u>

## Notes on The Financial Statements (Continued)

### 7. DIVIDENDS

(a) Change in accounting policies

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st July, 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) issued by the Hong Kong Society of Accountants, the group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries and jointly controlled entities is recognised as income in the company's profit and loss account in the accounting period in which the dividends are declared.

There is no impact on the group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods (note 19).

(b) Dividends attributable to the year:

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
First interim dividend declared and paid of \$0.10 per share (2001: \$0.10)	4,508	4,502
Special dividend declared and paid of \$0.50 per share (2001: \$0.80)	22,881	36,792
Second interim dividend declared after the balance sheet date of \$Nil per share (2001: \$0.40)	-	18,348
Second special interim dividend declared after the balance sheet date of \$18.00 per share (2001: \$Nil) (Note)	823,335	-
Final dividend proposed after the balance sheet date of \$0.10 per share (2001: \$0.10)	4,574	4,584
Special dividend proposed after the balance sheet date of \$0.90 per share (2001: \$1.80)	<u>41,167</u>	<u>82,510</u>
	<u>896,465</u>	<u>146,736</u>

Note: A second special interim dividend is payable on 14th November, 2002, conditional upon no general offer for the shares of the company having been announced by any offeror prior to 14th November, 2002.

The interim dividend, final dividend and special dividend declared or proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

(c) Dividends attributable to the previous financial year, approved and paid during the year:

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Second interim dividend declared in respect of previous financial year of \$0.40 per share (2001: \$0.40)	18,348	18,507
Final dividend approved in respect of previous financial year of \$0.10 per share (2001: \$0.10)	4,584	4,613
Special dividend approved in respect of previous financial year of \$1.80 per share (2001: \$2.80)	<u>82,510</u>	<u>129,163</u>
	<u>105,442</u>	<u>152,283</u>

## Notes on The Financial Statements (Continued)

### 8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes a profit of \$777,680,000 (2001 (restated): \$63,156,000) which has been dealt with in the financial statements of the company.

Reconciliation of the above amount to the company's profit for the year:

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Amount of profit attributable to shareholders dealt with in the company's financial statements	777,680	63,156
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	<u>83,283</u>	<u>129,551</u>
Company's profit for the year (note 19)	<u>860,963</u>	<u>192,707</u>

### 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of \$114,351,000 (2001: \$259,806,000) and the weighted average of 45,797,377 (2001: 46,092,279) shares in issue during the year.



## Notes on The Financial Statements (Continued)

### 10. SEGMENT REPORTING

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

#### (a) Business segments

The group comprises the following main business segments:

	Property investment and development		Treasury management		Unallocated		Consolidated	
	2002 \$000's	2001 \$000's	2002 \$000's	2001 \$000's	2002 \$000's	2001 \$000's	2002 \$000's	2001 \$000's
Turnover	71,684	67,627	-	-	-	-	71,684	67,627
Interest income	-	-	54,915	128,582	-	-	54,915	128,582
Other income/(loss)	-	-	5,524	(1,878)	10,787	5,556	16,311	3,678
Total revenue	<u>71,684</u>	<u>67,627</u>	<u>60,439</u>	<u>126,704</u>	<u>10,787</u>	<u>5,556</u>	<u>142,910</u>	<u>199,887</u>
Segment results	69,487	65,408	60,439	126,704			129,926	192,112
Unallocated							(25,370)	(25,519)
Operating profit							104,556	166,593
Share of results of jointly controlled entities	177,347	105,650	-	-			177,347	105,650
Deficit on revaluation of investment properties	(138,130)	-	-	-			(138,130)	-
Taxation							(29,422)	(12,437)
Profit attributable to shareholders							<u>114,351</u>	<u>259,806</u>
Depreciation for the year	(70)	(51)	-	-	(1,111)	(1,280)	(1,181)	(1,331)
Fixed assets	1,043,995	1,101,195	-	-	31,454	26,593	1,075,449	1,127,788
Other investments	-	-	4,009	1,451	-	-	4,009	1,451
Debtors, deposits and prepayments	691	581	2,760	3,443	330	265	3,781	4,289
Cash balances	-	-	2,559,465	2,229,278	-	-	2,559,465	2,229,278
Segment assets	<u>1,044,686</u>	<u>1,101,776</u>	<u>2,566,234</u>	<u>2,234,172</u>	<u>31,784</u>	<u>26,858</u>	<u>3,642,704</u>	<u>3,362,806</u>
Interest in jointly controlled entities	807,209	1,159,557	-	-	-	-	807,209	1,159,557
Total assets							<u>4,449,913</u>	<u>4,522,363</u>
Segment liabilities	<u>22,764</u>	<u>32,243</u>	<u>-</u>	<u>-</u>	<u>68,478</u>	<u>66,746</u>	<u>91,242</u>	<u>98,989</u>
Capital expenditure incurred during the year	<u>2,318</u>	<u>229,940</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>1,167</u>	<u>2,345</u>	<u>231,107</u>

#### (b) Geographical segments

The group participates in two principal economic environments. Hong Kong is a major market for all of the group's business. In the United Kingdom, the major business is property investment.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Hong Kong		United Kingdom	
	2002 \$000's	2001 \$000's	2002 \$000's	2001 \$000's
Turnover	38,277	39,907	33,407	27,720
Segment assets	3,009,978	2,821,845	632,726	540,961
Capital expenditure incurred during the year	2,345	72,876	-	158,231

## Notes on The Financial Statements (Continued)

### 11. FIXED ASSETS

	Investment properties	Other properties	Property held for redevelopment	Motor buses	Plant, fixtures and equipment	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>(a) The group</b>						
Cost or valuation:						
At 1st July, 2001	1,029,389	23,242	71,590	8,565	7,167	1,139,953
Additions	-	-	2,267	-	78	2,345
Disposals	-	-	-	-	(378)	(378)
Revaluation (deficits)/surpluses	(59,447)	4,358	-	-	-	(55,089)
At 30th June, 2002	<u>969,942</u>	<u>27,600</u>	<u>73,857</u>	<u>8,565</u>	<u>6,867</u>	<u>1,086,831</u>
Representing:						
Cost	-	-	73,857	8,565	6,867	89,289
2002 valuation	<u>969,942</u>	<u>27,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>997,542</u>
	<u>969,942</u>	<u>27,600</u>	<u>73,857</u>	<u>8,565</u>	<u>6,867</u>	<u>1,086,831</u>
Accumulated depreciation:						
At 1st July, 2001	-	1,552	-	4,440	6,173	12,165
Charge for the year	-	109	-	758	314	1,181
Written back on disposals	-	-	-	-	(303)	(303)
Written back on revaluation	-	(1,661)	-	-	-	(1,661)
At 30th June, 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,198</u>	<u>6,184</u>	<u>11,382</u>
Net book value:						
At 30th June, 2002	<u>969,942</u>	<u>27,600</u>	<u>73,857</u>	<u>3,367</u>	<u>683</u>	<u>1,075,449</u>
At 30th June, 2001	<u>1,029,389</u>	<u>21,690</u>	<u>71,590</u>	<u>4,125</u>	<u>994</u>	<u>1,127,788</u>
Tenure of title to properties:						
2002						
Held in Hong Kong						
- Long leases	256,000	22,400	73,857	-	-	352,257
- Medium term leases	<u>152,000</u>	<u>5,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,200</u>
	408,000	27,600	73,857	-	-	509,457
Held outside Hong Kong						
- Freehold	<u>561,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,942</u>
	<u>969,942</u>	<u>27,600</u>	<u>73,857</u>	<u>-</u>	<u>-</u>	<u>1,071,399</u>
2001						
Held in Hong Kong						
- Long leases	301,000	14,067	71,590	-	-	386,657
- Medium term leases	<u>220,300</u>	<u>7,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,923</u>
	521,300	21,690	71,590	-	-	614,580
Held outside Hong Kong						
- Freehold	<u>508,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>508,089</u>
	<u>1,029,389</u>	<u>21,690</u>	<u>71,590</u>	<u>-</u>	<u>-</u>	<u>1,122,669</u>

## Notes on The Financial Statements (Continued)

### 11. FIXED ASSETS (Continued)

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>(b) The company</b>					
Cost or valuation:					
At 1st July, 2001	301,000	23,242	8,565	6,847	339,654
Additions	–	–	–	27	27
Disposals	–	–	–	(378)	(378)
Revaluation (deficits)/surpluses	<u>(45,000)</u>	<u>4,358</u>	<u>–</u>	<u>–</u>	<u>(40,642)</u>
At 30th June, 2002	<u>256,000</u>	<u>27,600</u>	<u>8,565</u>	<u>6,496</u>	<u>298,661</u>
Representing:					
Cost	–	–	8,565	6,496	15,061
2002 valuation	<u>256,000</u>	<u>27,600</u>	<u>–</u>	<u>–</u>	<u>283,600</u>
	<u>256,000</u>	<u>27,600</u>	<u>8,565</u>	<u>6,496</u>	<u>298,661</u>
Accumulated depreciation:					
At 1st July, 2001	–	1,552	4,440	6,068	12,060
Charge for the year	–	109	758	244	1,111
Written back on disposals	–	–	–	(303)	(303)
Written back on revaluation	<u>–</u>	<u>(1,661)</u>	<u>–</u>	<u>–</u>	<u>(1,661)</u>
At 30th June, 2002	<u>–</u>	<u>–</u>	<u>5,198</u>	<u>6,009</u>	<u>11,207</u>
Net book value:					
At 30th June, 2002	<u>256,000</u>	<u>27,600</u>	<u>3,367</u>	<u>487</u>	<u>287,454</u>
At 30th June, 2001	<u>301,000</u>	<u>21,690</u>	<u>4,125</u>	<u>779</u>	<u>327,594</u>
Tenure of title to properties:					
2002					
Held in Hong Kong					
– Long leases	256,000	22,400	–	–	278,400
– Medium term leases	<u>–</u>	<u>5,200</u>	<u>–</u>	<u>–</u>	<u>5,200</u>
	<u>256,000</u>	<u>27,600</u>	<u>–</u>	<u>–</u>	<u>283,600</u>
2001					
Held in Hong Kong					
– Long leases	301,000	14,067	–	–	315,067
– Medium term leases	<u>–</u>	<u>7,623</u>	<u>–</u>	<u>–</u>	<u>7,623</u>
	<u>301,000</u>	<u>21,690</u>	<u>–</u>	<u>–</u>	<u>322,690</u>

## Notes on The Financial Statements (Continued)

### 11. FIXED ASSETS (Continued)

- (i) The group's investment properties which are situated in Hong Kong and held under long and medium term leases, have been revalued at 30th June, 2002 by Insignia Brooke (Hong Kong) Limited, an independent firm of professional surveyors, on an open market value basis, after taking into consideration the net income and allowing for development potential or reversionary potential as appropriate.
- (ii) The group's investment properties which are situated in the United Kingdom and are freehold properties, have been revalued at 30th June, 2002 by FPDSAVILLS Commercial Limited, an independent firm of professional surveyors, on an open market value basis, after taking into consideration the net income and allowing for reversionary potential.
- (iii) The gross carrying amounts of investment properties of the group held for use in operating leases were \$969,942,000 (2001: \$1,029,389,000). Further details of the leasing arrangements are contained in note 24(a).
- (iv) The group's other properties which are situated in Hong Kong and held under long and medium term leases, have been revalued at 30th June, 2002 by Insignia Brooke (Hong Kong) Limited, an independent firm of professional surveyors, on an open market value basis. The carrying amount of other properties of the group at 30th June, 2002 would have been \$21,581,000 had they been carried at cost less accumulated depreciation.

### 12. INTEREST IN SUBSIDIARIES

	The company	
	2002	2001
	\$000's	\$000's
Unlisted shares, at cost	1,018,356	1,018,356

Details of the subsidiaries are as follows:-

Name of company	Place of incorporation	Place of operation	Issued ordinary share capital	Percentage directly held	Percentage indirectly held	Principal activity
Island Communication Enterprises Limited	Hong Kong	Hong Kong	185,073,024 HK\$1 shares	100%	-	Investment holding
Heartwell Limited	Hong Kong	Hong Kong	9,000,002 HK\$10 shares	100%	-	Investment holding
Communication Holdings Limited	British Virgin Islands	Hong Kong	35,900,010 HK\$10 shares	100%	-	Investment holding
Affluent Dragon Island Limited	Hong Kong	Hong Kong	2 HK\$10 shares	100%	-	Dormant
Island Communication Investments Limited	British Virgin Islands	Hong Kong	2 HK\$1 shares	-	100%	Investment property holding
Grand Island Place Investments Limited	British Virgin Islands	Hong Kong	2 HK\$1 shares	-	100%	Investment property holding
Nottingham Developments Limited	British Virgin Islands	Hong Kong	1 US\$1 share	-	100%	Investment holding
Oxney Investments Limited	British Virgin Islands	United Kingdom	1 US\$1 share	-	100%	Investment property holding
Communication Properties Limited	British Virgin Islands	United Kingdom	1 US\$1 share	-	100%	Investment property holding
Eaglefield Properties Limited	British Virgin Islands	Hong Kong	1 US\$1 share	-	100%	Inactive
Prosperous Orient Limited	Hong Kong	Hong Kong	2 HK\$10 shares	-	100%	Property holding for redevelopment

## Notes on The Financial Statements (Continued)

### 13. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The group	
	2002	2001
	\$000's	\$000's
Share of net tangible (liabilities)/assets	(4,947)	1,459
Loans to jointly controlled entities	812,156	1,158,098
	<u>807,209</u>	<u>1,159,557</u>

Details of the group's interest in the jointly controlled entities are as follows:-

Name of jointly controlled entity	Form of business structure	Place of incorporation	Place of operation	Particulars of issued share capital	Proportion of ownership interest		Financial year end
					Group's effective interest or held by subsidiary company	Principal activity	
Swire and Island Communication Developments Limited ("Swire and Island")	Incorporated	British Virgin Islands	Hong Kong	60 'A' shares of HK\$10 40 'B' shares of HK\$10 1 non-voting dividend share of HK\$10	- 100% 100%	Property development for resale and investment	31st December
Island Land Development Limited ("Island Land")	Incorporated	British Virgin Islands	Hong Kong	100 shares of HK\$10	50%	Property development for investment	31st December
Hareton Limited ("Hareton")	Incorporated	Hong Kong	Hong Kong	100 shares of HK\$10	50%	Property development for resale and investment	31st December
Uttoxeter Limited ("Uttoxeter")	Incorporated	Hong Kong	Hong Kong	100 shares of HK\$10	20%	Property development for resale and investment	31st December

Pursuant to a shareholders' agreement ("the first agreement") entered into between Swire and Island and its shareholders on 6th November, 1991, Swire and Island purchased for redevelopment purposes two plots of land respectively from the company and its subsidiary, Island Communication Enterprises Limited, for a total consideration of \$980 million. In accordance with the terms of the first agreement, the cost of the land together with any subsequent modification premium thereon are financed by interest free shareholders' loans in proportion to the shareholders' respective holdings of ordinary shares.

Pursuant to a shareholders' agreement ("the second agreement") entered into between Island Land and its shareholders on 20th November, 1993, Island Land purchased for redevelopment purposes a plot of land from the company for a total consideration of \$360 million. In accordance with the terms of the second agreement, the cost of the land together with any subsequent modification premium thereon are financed by interest free shareholders' loans in proportion to the shareholders' respective holdings of ordinary shares. In February 1997, Island Land paid a modification premium of \$430 million to The Government of the Hong Kong Special Administrative Region ("the Government").

Pursuant to a shareholders' agreement ("the third agreement") entered into between Hareton and its shareholders on 29th December, 1994, Hareton purchased for redevelopment purposes two plots of land from the company's subsidiary, Heartwell Limited, for a total consideration of \$383 million. In accordance with the terms of the third agreement, the cost of land is financed by interest free shareholders' loans in proportion to the shareholders' respective holdings of ordinary shares.

Pursuant to a shareholders' agreement ("the fourth agreement") entered into between Uttoxeter and its shareholders on 6th October, 1999, Uttoxeter purchased for redevelopment purposes a plot of land from the Government. In accordance with the terms of the fourth agreement, the cost of land and development costs are financed by shareholders' loans in proportion to the shareholders' respective holdings of ordinary shares. Uttoxeter paid a total premium of \$1,677 million to the Government.

## Notes on The Financial Statements (Continued)

### 13. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

The following supplementary financial information is disclosed relating to the three principal jointly controlled entities based on the management accounts of the respective jointly controlled entities at 30th June:

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
(i) Swire and Island Communication Developments Limited		
(a) Profit and loss account		
Turnover	<u>71,083</u>	<u>71,372</u>
Profit before taxation	46,085	48,566
Taxation	<u>(4,940)</u>	<u>(5,991)</u>
Profit after taxation	<u>41,145</u>	<u>42,575</u>
(b) Balance sheet		
Fixed assets	675,089	681,166
Deferred expenditure	-	31
Current assets	155,812	123,375
Current liabilities	<u>(27,798)</u>	<u>(36,614)</u>
Net assets	<u>803,103</u>	<u>767,958</u>
	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
(ii) Island Land Development Limited		
(a) Profit and loss account		
Turnover	<u>49,644</u>	<u>56,605</u>
(Loss)/profit before taxation	(134,687)	135,346
Taxation	<u>-</u>	<u>-</u>
(Loss)/profit after taxation	<u>(134,687)</u>	<u>135,346</u>
(b) Balance sheet		
Fixed assets	772,102	842,000
Deferred expenditure	2,837	4,012
Current assets	28,373	15,849
Current liabilities	(12,926)	(22,788)
Shareholders' loans	<u>(1,207,700)</u>	<u>(1,225,700)</u>
Net liabilities	<u>(417,314)</u>	<u>(386,627)</u>

## Notes on The Financial Statements (Continued)

### 13. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
(iii) Uttoxeter Limited		
(a) Profit and loss account		
Turnover	2,510,797	864,005
Profit before taxation	816,263	275,373
Taxation	(127,671)	(43,060)
Profit after taxation	<u>688,592</u>	<u>232,313</u>
(b) Balance sheet		
Current assets	1,001,110	1,964,884
Current liabilities	(260,265)	(49,678)
Shareholders' loans	-	(1,682,953)
Net assets	<u>740,845</u>	<u>232,253</u>

### 14. OTHER INVESTMENTS

	<u>The group</u>	
	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Equity securities listed in Hong Kong, at fair value	<u>4,009</u>	<u>1,451</u>

### 15. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis:

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Current	167	91
1 - 3 months	50	-
More than 3 months but less than 12 months	1	-
Total trade debtors	<u>218</u>	<u>91</u>

A defined credit policy is maintained within the Group.

The following amounts are expected to be recovered after more than one year:

	<u>The group</u>		<u>The company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$000's	\$000's	\$000's	\$000's
Debtors, deposits and prepayments	<u>662</u>	<u>661</u>	<u>93</u>	<u>94</u>

## Notes on The Financial Statements (Continued)

### 16. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors with the following ageing analysis:

	<u>2002</u>	<u>2001</u>
	\$000's	\$000's
Due after 3 months	706	706

The following amounts are expected to be settled after more than one year:

	<u>The group</u>		<u>The company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$000's	\$000's	\$000's	\$000's
Creditors and accruals	<u>9,559</u>	<u>9,498</u>	<u>7,633</u>	<u>7,633</u>

### 17. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

### 18. SHARE CAPITAL

	<u>2002</u>		<u>2001</u>	
	<u>No. of shares</u>	<u>Amount</u> \$000's	<u>No. of shares</u>	<u>Amount</u> \$000's
Authorised:				
Ordinary shares of \$2 each	<u>50,000,000</u>	<u>100,000</u>	<u>50,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1st July	45,903,056	91,806	46,268,256	92,537
Shares repurchased	<u>(162,200)</u>	<u>(324)</u>	<u>(365,200)</u>	<u>(731)</u>
At 30th June	<u>45,740,856</u>	<u>91,482</u>	<u>45,903,056</u>	<u>91,806</u>

During the year, the company repurchased 162,200 of its own shares on the Stock Exchange of Hong Kong Limited as follows:

Month/Year	No. of ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid \$000's
		\$	\$	
July 2001	34,200	70.00	68.00	2,382
August 2001	16,600	69.25	68.00	1,150
September 2001	10,000	65.75	64.50	656
October 2001	14,800	62.00	61.00	915
November 2001	21,000	66.50	65.00	1,384
December 2001	20,600	68.00	66.00	1,383
January 2002	10,000	66.50	66.50	667
February 2002	13,600	66.50	65.75	903
March 2002	12,800	67.00	66.00	855
April 2002	<u>8,600</u>	<u>66.00</u>	<u>66.00</u>	<u>570</u>
	<u>162,200</u>			<u>10,865</u>

Except for the repurchase of ordinary shares by the company referred to above, the company and its subsidiaries have not purchased, sold or redeemed any of the company's shares during the year.

The repurchased shares were cancelled and accordingly the issued share capital of the company was reduced by the nominal value of these shares. However, pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the nominal value of the shares cancelled of \$324,400 was transferred from the retained profits to the capital redemption reserve (note 19). The premium paid on the repurchase of the shares of \$10,541,000 was charged to the retained profits (note 19).



## Notes on The Financial Statements (Continued)

### 19. RESERVES

	Capital redemption reserve	Investment properties revaluation reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>The group</b>						
At 1st July, 2000						
– as previously reported	–	107,866	–	230,000	3,419,778	3,757,644
– prior period adjustments in respect of:						
– dividend proposed (note 7(a))	–	–	–	–	152,283	152,283
– as restated	–	107,866	–	230,000	3,572,061	3,909,927
Dividends declared/approved in respect of the previous year (note 7(c))	–	–	–	–	(152,283)	(152,283)
Revaluation deficits	–	(77,991)	–	–	–	(77,991)
Profit for the year	–	–	–	–	259,806	259,806
Unclaimed dividends forfeited in accordance with article 166	–	–	–	–	332	332
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Purchase of own shares						
– premium paid	–	–	–	–	(18,127)	(18,127)
– transfer between reserves	731	–	–	–	(731)	–
Dividends declared and paid in respect of the current year (note 7(b))	–	–	–	–	(41,294)	(41,294)
At 30th June, 2001	<u>731</u>	<u>29,875</u>	<u>–</u>	<u>240,000</u>	<u>3,609,764</u>	<u>3,880,370</u>
At 1st July, 2001						
– as previously reported	731	29,875	–	240,000	3,504,322	3,774,928
– prior period adjustments in respect of:						
– dividend proposed (note 7(a))	–	–	–	–	105,442	105,442
– as restated	731	29,875	–	240,000	3,609,764	3,880,370
Dividends declared/approved in respect of the previous year (note 7(c))	–	–	–	–	(105,442)	(105,442)
Exchange differences transferred between reserves	–	53,622	–	–	(53,622)	–
Revaluation (deficits)/surpluses	–	(83,497)	6,019	–	–	(77,478)
Profit for the year	–	–	–	–	114,351	114,351
Unclaimed dividends forfeited in accordance with article 166	–	–	–	–	223	223
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Purchase of own shares						
– premium paid	–	–	–	–	(10,541)	(10,541)
– transfer between reserves	324	–	–	–	(324)	–
Exchange differences arising on consolidation	–	–	–	–	41,897	41,897
Dividends declared and paid in respect of the current year (note 7(b))	–	–	–	–	(27,389)	(27,389)
At 30th June, 2002	<u>1,055</u>	<u>–</u>	<u>6,019</u>	<u>250,000</u>	<u>3,558,917</u>	<u>3,815,991</u>

## Notes on The Financial Statements (Continued)

### 19. RESERVES (Continued)

	Capital redemption reserve	Investment properties revaluation reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>The company</b>						
At 1st July, 2000						
– as previously reported	–	246,933	–	230,000	804,795	1,281,728
– prior period adjustments in respect of:						
– dividend received (note 7(a))	–	–	–	–	(129,551)	(129,551)
– dividend proposed (note 7(a))	–	–	–	–	152,283	152,283
– as restated	–	246,933	–	230,000	827,527	1,304,460
Dividends declared/approved in respect of the previous year (note 7(c))	–	–	–	–	(152,283)	(152,283)
Revaluation surpluses	–	37,000	–	–	–	37,000
Profit for the year	–	–	–	–	192,707	192,707
Unclaimed dividends forfeited in accordance with article 166	–	–	–	–	332	332
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Purchase of own shares						
– premium paid	–	–	–	–	(18,127)	(18,127)
– transfer between reserves	731	–	–	–	(731)	–
Dividends declared and paid in respect of the current year (note 7(b))	–	–	–	–	(41,294)	(41,294)
At 30th June, 2001	<u>731</u>	<u>283,933</u>	<u>–</u>	<u>240,000</u>	<u>798,131</u>	<u>1,322,795</u>
At 1st July, 2001						
– as previously reported	731	283,933	–	240,000	775,972	1,300,636
– prior period adjustments in respect of:						
– dividend received (note 7(a))	–	–	–	–	(83,283)	(83,283)
– dividend proposed (note 7(a))	–	–	–	–	105,442	105,442
– as restated	731	283,933	–	240,000	798,131	1,322,795
Dividends declared/approved in respect of the previous year (note 7(c))	–	–	–	–	(105,442)	(105,442)
Revaluation (deficits)/surpluses	–	(45,000)	6,019	–	–	(38,981)
Profit for the year	–	–	–	–	860,963	860,963
Unclaimed dividends forfeited in accordance with article 166	–	–	–	–	223	223
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Purchase of own shares						
– premium paid	–	–	–	–	(10,541)	(10,541)
– transfer between reserves	324	–	–	–	(324)	–
Dividends declared and paid in respect of the current year (note 7(b))	–	–	–	–	(27,389)	(27,389)
At 30th June, 2002	<u>1,055</u>	<u>238,933</u>	<u>6,019</u>	<u>250,000</u>	<u>1,505,621</u>	<u>2,001,628</u>

## Notes on The Financial Statements (Continued)

### 19. RESERVES (Continued)

Included in the figure for the group's retained profits at 30th June, 2002 is the amount of \$208,439,000 (2001: \$232,692,000) being the retained profits attributable to the jointly controlled entities.

The directors consider that \$43,785,000 (2001: \$43,785,000) of the company's retained profits are not distributable since such profits arose from an intra group sale of property which was disposed of to a wholly-owned subsidiary during the year ended 30th June, 1994 and which was subsequently sold during the year ended 30th June, 1995 to a jointly controlled entity in which the group has a 50% shareholding.

The directors consider that all of the general reserve and \$1,461,836,000 (2001: \$754,346,000) of the retained profits of the company, totalling \$1,711,836,000 (2001: \$994,346,000), are distributable.

The application of the capital redemption reserve is governed by section 49 of the Hong Kong Companies Ordinance. The investment properties and other properties revaluation reserve is not available for distribution to shareholders because it does not constitute realised profits within the meaning of section 79B(2) of the Hong Kong Companies Ordinance.

The group treats its investment properties on a portfolio basis.

The group's investment properties and investment properties held by jointly controlled entities have been valued by external professional valuers in accordance with Statement of Standard Accounting Practice 13 at open market value. A revaluation deficit of \$221,627,000 has arisen, of which \$83,497,000 has been debited to the investment properties revaluation reserve and \$138,130,000 has been debited to the consolidated profit and loss account for the year.

The group's other properties have been valued under Statement of Standard Accounting Practice 17 (revised) and \$6,019,000 has been credited to the other properties revaluation reserve.

### 20. DEFERRED PROFITS

	The group		The company	
	2002	2001	2002	2001
	\$000's	\$000's	\$000's	\$000's
Balance brought forward and carried forward	451,198	451,198	237,225	237,225

### 21. CONTINGENCY RESERVES

	Group and company	
	2002	2001
	\$000's	\$000's
Third party claims		
At 1st July	57,100	71,400
Payments during the year	(5,677)	(13,172)
Provision written back for the year	(9,023)	(1,128)
At 30th June	42,400	57,100

## Notes on The Financial Statements (Continued)

### 22. CONTINGENT LIABILITIES

At 30th June, 2002, there were potential contingent liabilities in respect of third party claims for which provision of \$42,400,000 (2001: \$57,100,000) has been included in contingency reserves. In the opinion of the directors, having received independent actuarial advice, the amount provided is sufficient to cover any liabilities which may subsequently arise in respect of these claims.

### 23. CAPITAL COMMITMENTS

The Board of a subsidiary has given approval to develop the site at 3 Jordan Road. An amount of \$48,000,000 representing the total estimated development costs has been authorised of which approximately \$2,267,000 has been incurred and approximately \$2,073,000 has been contracted for at the balance sheet date.

In addition, the Board has given formal in principle approval to develop the site at the Chai Wan Bus Depot by means of a 50:50 joint venture. An amount of \$1,065,000,000, representing 50% of the total estimated development costs, has been authorised for the purpose of the development of the site.

Subsequent to the balance sheet date, a subsidiary acquired certain properties for investment purposes for a consideration of approximately \$100,000,000.

### 24. OPERATING LEASES

#### (a) Significant leasing arrangements

The group leases out investment properties in Hong Kong and United Kingdom under operating leases. The leases for investment properties in Hong Kong typically run for an initial period of two to three years. The leases for investment properties in United Kingdom run for an initial period of fourteen to twenty-five years. Lease payments are subject to upward only rent review for every 5 years for investment properties in United Kingdom. One of the leases in United Kingdom is subject to upward only rent review in 2006 and 2011. None of the leases includes contingent rentals. Further details of the carrying value of the investment properties are contained in note 11.

\$71,684,000 (2001: \$67,627,000) was recognised as rental income in the consolidated profit and loss account in respect of operating leases.

#### (b) Future operating lease income

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2002	2001
	\$000's	\$000's
Within one year	72,401	69,111
After one but within five years	161,088	176,653
After five years	519,916	501,815
	<u>753,405</u>	<u>747,579</u>

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## Notes on The Financial Statements (Continued)

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### **25. MATERIAL RELATED PARTY TRANSACTIONS**

Loans to the jointly controlled entities at 30th June, 2002 are disclosed in note 13. The loans are unsecured, interest-free and have no fixed terms of repayment.

### **26. COMPARATIVE FIGURES**

Certain comparative figures have been adjusted as a result of changes in accounting policies for dividends, details of which are disclosed in notes 7 and 19.