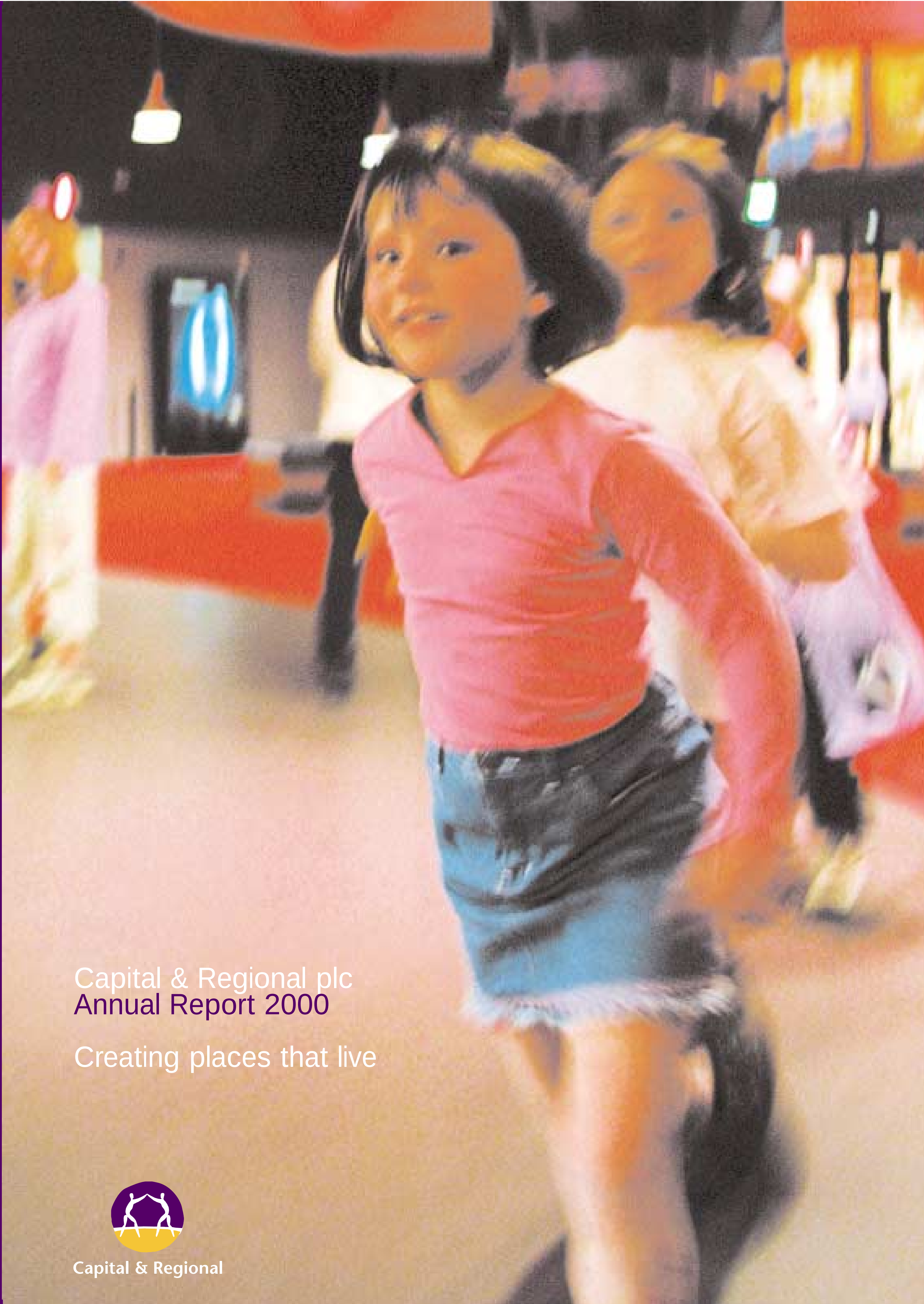

Capital & Regional plc
Annual Report 2000

Creating places that live

Capital & Regional

Our retail and leis expertise is focus Centres, Retail Pa

Capital & Regional is a specialist property company, owning and developing some of the most exciting and distinctive retail and leisure properties throughout the UK.

The current portfolio value is over £800m of which 90% is retail and leisure, totalling over seven million sq ft.

Capital & Regional's objective is to use its in-house expertise to create value for tenants and shareholders through the innovative and dynamic management of property assets.

Contents

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Highlights

- Pre-tax profit up 5% to £13.4m (1999: £12.8m)
- Net rental income up 25% to £57m (1999: £45.5m)
- Earnings per share increased by 10% to 13.4p (1999: 12.2p)
- Fully diluted net assets per share decreased by 4% to 360p (1999: 376p)
- Dividends per share up 10% to 5.5p (1999: 5.0p)
- Disposals to date of £246m
  – £62m of trading and investment assets during year. This includes CenterPoint shares (£25m).
  – £184m since year end. This includes the industrial portfolio (£89.6m), Westway Shopping Park (£43.1m), St Andrew House (£19.6m) and Sauchiehall Centre (£31m).
- Capital & Regional's management approach led to its shopping centre portfolio achieving 13.3% income and 5.2% rental value growth during year.
- Retail park portfolio in transitional phase focused on creating significant 'destination' schemes of over 150,000 sq ft, which attract Big Box anchor tenants requiring major units of up to 130,000 sq ft. Lettings of 750,000 sq ft, including 10 destination stores were agreed at year end.

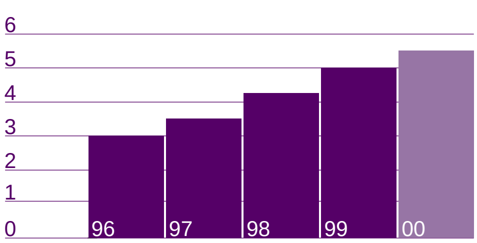
Chairman and Chief Executive's Review

We are confident satisfactory and returns to shareh years to come

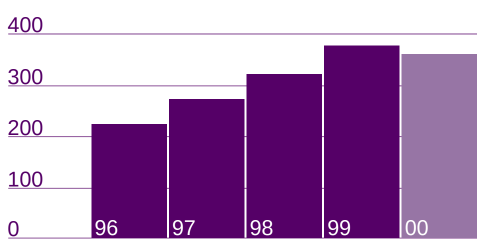

Viscount Chandos Chairman


Martin Barber Chief Executive

Dividends per share pence



Net assets per share (diluted) pence
Figures after 1996 assume conversion of the loan stock



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Results and dividend

Profit before tax increased by 5% to £13.4m (1999: £12.8m). Fully diluted net assets per share decreased by 4% to 360p from 376p. Fully diluted net assets per share, after adjustments for deferred tax and debt valuation, are 323p against 330p last year.

Earnings per share increased by 10% to 13.4p (1999: 12.2p). A final dividend of 3.25p is proposed, making a total for the year of 5.5p per share (1999: 5.0p), an increase of 10%. Over the past five years, Capital & Regional has achieved compound net asset value growth of 14% per annum.

Overview

Over the past 15 months, we have completed the disposal of £246m of non-core assets. During the year, £62m of trading and investment assets were sold, including CenterPoint Trust shares and a further £184m of properties have been disposed of since the year end.

This has almost completed our strategy to transform Capital & Regional from a generalist property company, to one which is entirely focused on the retail and leisure sectors, namely shopping centres, retail parks and Xscape.

Capital & Regional owns properties, which attract consumer visits and spending. We are in the process of creating 'destinations', to become recognised brands and offer more than just shopping, but also leisure and entertainment; an 'experience' for the consumer.

Our focus on the retail and leisure sectors capitalises on our specialist skills and strong relationships with our tenants. We understand their requirements and are working with them to maximise opportunities and profitability.

Shopping centres

Within our shopping centre portfolio, we have achieved a 13.3% income growth and 5.2% growth in estimated rental value.

The centres are benefiting from our management approach, which is to work in partnership with our retailers to generate increased footfall and sales. Our properties are of a substantial size and are covered to provide a controlled environment. They are either dominant in a good catchment, or a good second centre in a major metropolitan area. We are able to increase market share for our retailers through creative and innovative marketing and promotion.

At our centres, vacancies are at an all time low. We are achieving good income and rental value growth and tenant demand is strong. It is therefore disappointing that valuation yields have moved up and adversely affected capital values this year.

However, Capital & Regional strongly believes that the long-term benefits of investing in this sector outweigh the short-term fluctuations in the investment market.

Retail parks

We have assembled a substantial portfolio of retail parks, originally developed when a more relaxed planning environment existed. Now, with strong tenant demand and a planning regime that restricts further out-of-town development, we are exploiting our parks' planning consents to provide the latest store formats required by retailers.

The portfolio of approximately 1.4m sq ft is generating many opportunities for redevelopment to include Big Box formats, thereby creating significant destination parks.

This redevelopment includes complex planning consents or amendments to planning, lease surrenders and land acquisition.

Our concentration repositioning our attract consumers building significa

This held back financial performance and adversely influenced values last year. On completion of this transitional phase, we envisage significant value creation over the next two years.

Our experienced out-of-town management team is also proving successful, not only in achieving planning consent on our existing parks, but also identifying and obtaining control of sites where planning can be gained. Examples of these are at Oldbury and Auchinlea in Glasgow, where major development schemes are being progressed.

Xscape

The opening of Xscape at Milton Keynes was one of the highlights of the Company's year. Around an exciting 'real snow' ski slope, a vibrant retail and leisure offer has been built, including a 16 screen multiplex cinema, family entertainment centre, ten-pin bowling, climbing walls and a mix of restaurants and bars.

Initial trading from our tenants has been most encouraging and we are pursuing three further projects in the UK and Continental Europe.

Capital strategy

The disposal programme already outlined has also allowed us to reduce our level of gearing on a fully diluted basis from 134% at 25th December 1999 (159% at December 2000) to 110%, even after purchasing 10% of the Company's issued share capital, representing 9,541,500 Ordinary shares. We continue to note the disparity between the valuation on our shares and the market value of the underlying assets.

Therefore, at an Extraordinary General Meeting on 15th March 2001, shareholder approval was granted to purchase, for cancellation, a further 13,221,458 Ordinary shares, representing 14.9% of the outstanding share capital. The Board will continue to review the Company's share purchases in light of the share price and level of gearing for the long-term interests of shareholders.

We are convinced that joint ownership is attractive for investors and Capital & Regional. Investor partners can harness our skills in these management-intensive sectors of the property investment and development market. Using this approach,

on properties to and operators is nt value

Capital & Regional leverages its equity and management to produce higher returns for shareholders. Over the years, Capital & Regional has had highly successful partnerships.

We still believe there is a strong rationale for a specialist UK shopping centre operator of scale, working closely with occupiers to create exciting and lively places to visit, shop and be entertained. The Company will continue to explore opportunities to establish partnerships in this area.

Our Xscape scheme in Milton Keynes is a joint venture project and we are pursuing partnership opportunities for the further schemes anticipated.

Three joint venture partnerships for single properties have been entered into recently. We have acquired, in equal partnership with Hermes Property Unit Trust, the Maybird Centre Retail Park and adjoining Regal Road Industrial Estate in Stratford-upon-Avon.

The Company has also entered into a 50:50 joint venture with Stannifer, the investment and development group, to re-develop the Sauchiehall Centre in Glasgow.

In addition, we have entered into an exclusivity agreement to form a 50:50 joint partnership with Capital Shopping Centres, the leading regional shopping centre business, to fund and develop the Xscape concept at Braehead, Glasgow, subject to the fulfilment of a number of conditions, including planning.

Management

Capital & Regional has created strength and depth within its operating teams. Our people come from asset management, construction, development, marketing and retail backgrounds.

They are using their expertise to drive the long term value of our properties forward in a dynamic and innovative way, treating the constant changes in the market as opportunities to enhance the quality and rental income from our assets.

On behalf of the Board and all our shareholders, we would like to express our sincere thanks to all our management and staff for their excellent contribution to the Company during this year.

Outlook

Capital & Regional is confident that our concentration on reshaping and repositioning our properties, and following that process with intensive business management to attract consumers and operators, is building significant value.

With both private buyers and institutional investors beginning to show interest again in shopping centre investments, we would not expect yields this coming year to move out any further. We anticipate further rental growth within our portfolio with positive value increases.

As far as our retail park portfolio is concerned, the temporary reduction in values is largely of a transitional nature and we expect significant value creation over the next two years.

Crea

places that live

Capital & Regional owns properties, which attract consumer visits and spending.

In our three business areas, shopping centres, retail parks, and Xscape, we are in the process of creating ‘destinations’, to become recognised brands which offer more than just shopping, but also leisure and entertainment – an ‘experience’ for the consumer.

Our focus on the retail and leisure sectors capitalises on our specialist skills and strong relationships with our tenants.

We understand their requirements and are working with them to maximise opportunities and profitability.

Operating Review

Our Market

The year 2000 has been one of mixed fortunes.

During the first half of the year, the market experienced virtual hysteria about internet retail and its impact on the traditional retail environment. By the year end, sentiment had reversed due to the well publicised e-tailer failures.

Simultaneously during the period, many established retail groups had difficulties. The combination of these factors caused nervousness amongst investors resulting in an adverse yield shift across the High Street and shopping centre investment market. Within our shopping centre portfolio, revenues rose significantly, with underlying rental values increasing by over 5%.

This demonstrates Capital & Regional’s ability to drive forward growth for the retailers in our well-managed centres, through taking market share from the High Street ting

and surrounding properties. On the retail parks, values have polarised between the smaller parks and the larger destination parks where there is greater potential for rental growth.

Many of our existing properties have the potential to fulfil tenant requirements for larger stores. These parks should not be judged on one year's financial performance, as they are in a transitional phase of achieving possession, planning and land assembly.

We have contracts and options on sites where we are actively progressing town planning, with significant success already achieved. These have not been re-valued for balance sheet purposes and have considerable latent value.

Our Xscape scheme in Milton Keynes is proving a tremendous success with the public and leisure and specialist lifestyle retailers. This unique and exciting destination can be replicated to our mutual benefit. We have identified other locations in the UK and Continental Europe, where we believe there is a substantial market for this concept.

Our Portfolio

At 20th March 2001, Capital & Regional's wholly owned investment portfolio of £738m, plus its half share of properties in joint ventures of £74m totalled approximately £812m. This comprises ten shopping centres (60%), twelve retail parks (27%), Xscape, Milton Keynes (5%), industrial and other (8%), totalling over four million sq ft, with approximately three million sq ft of future developments.

Summary

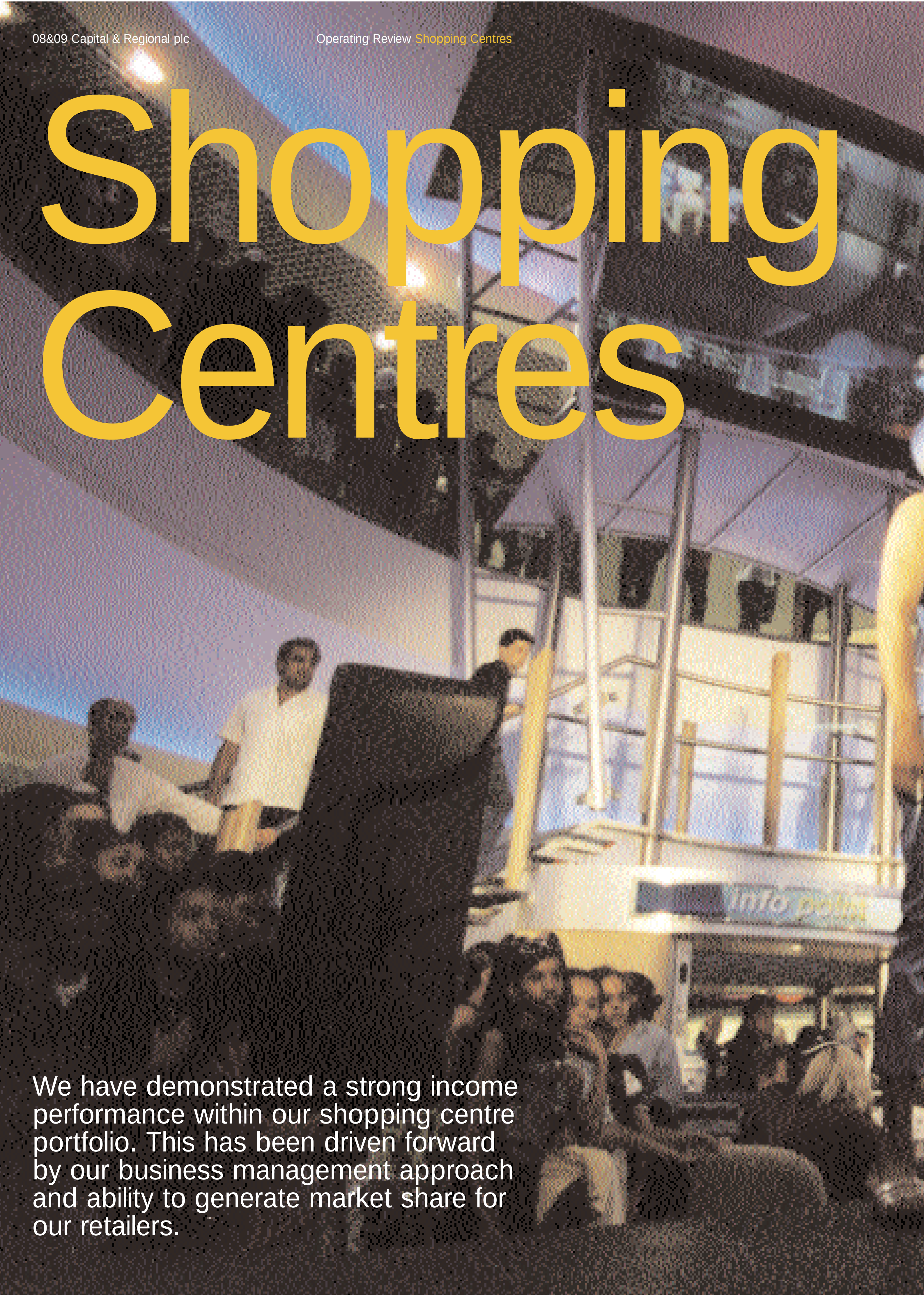
The opportunities that exist in our portfolio and in the market as a whole offer us tremendous scope for the future. We will continue to work with our tenancy base to explore opportunities for them to trade profitably in our shopping centres, retail parks and Xscapes.

Looking at the current year, we are optimistic that good tenant demand will remain for our properties. In addition, investor sentiment should have steadied as a consequence of improved retailer performance, a more reasoned approach to e-commerce, reduced medium to long-term interest rates and alternative investment markets looking fragile.

At re-adjusted yield levels, retail and leisure properties are attractive investments. Private buyers and institutional investors are showing an increasing interest, attracted by the strong cash flows and the ability to drive income upwards.

The following reviews for shopping centres, retail parks and Xscape outline in detail the progress in our three business areas.

Xavier Pullen
Deputy Chief Executive



Shopping Centres

We have demonstrated a strong income performance within our shopping centre portfolio. This has been driven forward by our business management approach and ability to generate market share for our retailers.

Search 2000

Overview

The year 2000 saw further positive results from our revenue growth strategies applied across our shopping centre portfolio. Net income increased by 13.3% over the year by £4.6m to £39.2m, producing a net income return of 6.3%. Capital expenditure for the year was £17.5m. Estimated rental value increased by a further 5.2% to almost £47m.

Adverse market sentiment to retail property portfolios resulted in a shift in valuation yields producing a negative capital return of 3.4%.

The year was very active, with Capital & Regional's management team working closely with retailers to provide solutions to their requirements in the ever changing retail environment, to maximise mutual profitability.

Excluding rent reviews, there were 176 transactions, representing £8.77m of annual income across the portfolio of 497 units. Of this, approximately £4.27m were new lettings or renewals, £2.88m vacations, and £1.62m reconfigurations. The void level fell by 1.4% to 3.8% of estimated rental value. This level of activity is bringing us ever closer to our retailer base, assisting us in the understanding of both their problems and opportunities. We intend to build on this mutual understanding to further develop both the effectiveness of our management franchise and revenue streams.

Ancillary income grew by 20.7% in 2000, representing approximately 4% of net rent level. Our average weekly footfalls increased by 2%, (up by 50,000 visits) to 2.4 million visits per week, despite major redevelopment at Shopping City, Wood Green, London and the demolition of the Bull Ring adjacent to our Pallasades Shopping Centre in Birmingham, which has temporarily depressed footfall.

We are committed to a 'fully serviced' offer for both retailers and shoppers. We are able to produce clean, secure, lively shopping environments at competitive costs.

Our average budgeted 2001 service charge per square foot is 20% less than the relevant JLL Oscar benchmark, excluding marketing where we plan to spend some 19% more than this peer group. In this way, we hope to continue to grow relevant footfall within our malls, giving our retailers increasing profit opportunity at cost-effective, value for money, occupational costs.

Our five year Environmental Statement for the centres, targets energy consumption savings of 15% over the period to 2004. During 2000, consumption reductions of 8% and 21% were made on electricity and gas respectively.

Our average Zone A rents across the portfolio remain at discounts to the principal competition. This combined with our business management and partnership approach to our assets augers well for continued revenue growth.

Last year saw our Community Mall concept taking shape, both locally and nationally. Portfolio-wide initiatives like supporting Breast Cancer Awareness Month, raised £20,000 in the malls and The Giving Tree at Christmas providing 4,950 toys for local needy children. These were complemented by scores of projects to benefit local community groups such as schools and charitable organisations.

These efforts are enthusiastically supported by both our retailers and shoppers alike, and when aligned to an attractive, accessible and vibrant retail experience, place our malls at the heart of their local communities. Our recently announced agreement with NTL to enable unhindered mobile telephone use within the centres and our planned mall based website programme are designed to reinforce this position.

Portfolio Review

The Pallasades, Birmingham
The Pallasades continues to perform well, given its increasing position as a pivotal 'gateway' to New Street Station and central Birmingham. Negotiations with Railtrack for the major refurbishment and integration of the retail and station facilities have not yet progressed to conclusion. We are therefore continuing to both actively manage the existing centre, whilst redesigning our proposals to accommodate a first-phase retail development.

Shopping City, Wood Green
The opening of the 12 screen CineWorld multiplex cinema with associated restaurants and mall improvements have confirmed Shopping City as a major shopping and leisure destination in its catchment. Next, HMV, TK Maxx, Peacocks, Woolworths and MFI, together with several local independent retailers, have all been attracted during 2000. Works are scheduled to complete in Easter 2001, with further restaurants opening by the Summer.

The Ashley Centre, Epsom
At The Ashley Centre, Epsom, a number of strategic surrenders have been negotiated. In the main, the units have been re-let to Starbucks, Body Shop, Phones 4 U and the dominant local photographic retailer, Epsom Photographic. Works have also started on a pre-let, two-level catering area introducing McDonald's to the scheme together with an expansion of local coffee shop operator, Café la Mocha.

Pre-let discussions continue with both existing and new retailers for a refurbishment and extension to West Square. Sunday trading has continued post Christmas and is increasing in popularity.

The Howgate Centre, Falkirk
The improvements completed in late 1999 to revitalise the Marks & Spencer atrium, resulted in the desired letting activity to MVC, First Sport, Cardwarehouse and the Bank of Scotland. We have increased both dwell time and rent by approximately 40%, in what was previously a quieter area of the Centre. Initial curiosity visits to the newly opened competition at Stirling and Livingstone appear to be stabilising and we continue to work to satisfy demand from major retail groups. Net car park income increased by 14.5%, as a result of the installation of a pay-on-foot management system.

Selborne Walk, Walthamstow
At Selborne Walk, new lettings to Boots, Timpson's and Blue Inc have been concluded, with Thomas Cook in solicitors' hands. Occupier pre-let discussions continue for a planned retail and leisure extension.

The Trinity Centre, Aberdeen
The Trinity Centre remained fully let throughout 2000, which has held back performance. We are in negotiations with adjacent owners to expand the Centre.

Sauchiehall Centre, Glasgow
Capital & Regional has entered into a 50:50 joint venture with Stannifer to redevelop the Sauchiehall Centre and increase the retail space by 10% to 200,000 sq ft, in large unit format. The majority of the newly created space will be taken by Primark and will be the fashion retailer's first store in Glasgow City centre. Existing tenants, TK Maxx, Superdrug and WH Smith will be extending their units.

Liberty 2, Romford
The town's retail attraction is to be boosted by the imminent opening of the Brewery retail and leisure scheme and Hammerson's refurbishment proposals for the adjacent Liberty 1.

Our contribution to this renaissance is the acquisition of the adjacent 'Dolphin' site and the associated planning application for a mixed-use scheme comprising residential, hotel and 60,000 sq ft of retail.

The Alhambra Centre, Barnsley
The acquisition of the former Co-op 'Living' Department store and its subsequent conversion for major occupiers Primark and TK Maxx, materially boosted the Centre's local popularity and has proved the catalyst for further letting interest. Government funding was secured to contribute to the cost of car park refurbishment.

Kenneth Ford
Managing Director
Shopping Centres


CINEWORLD


New St Station

Retail Parks

Our retail park operations are transforming secondary schemes into prime destination parks anchored by Big Box retailers.

Strategic Objectives

Our strategic objectives should be considered against the background of the current structural changes taking place in the evolving retail warehouse market.

The Evolution of Retail Parks

Since the origins of the retail warehouse market in the early 1980s, we have seen a number of changes. The converted warehouse on an industrial estate, the purpose built retail warehouse unit and eventually the retail park.

The boom of the late 1980s led to a considerable number of retail parks being developed in an ad-hoc fashion all over the country. This was largely as a result of the government's laissez-faire planning attitude and the consumers' positive response to car-borne shopping.

The last two years have seen a period of intense consolidation amongst the retail warehouse operators. The advent of Big Box destination stores, has led to a small number of retailers dominating sub-sectors of the market.

B&Q and Homebase dominate the DIY market, with units of between 80,000 and 130,000 sq ft. B&Q alone requires a further one hundred stores in this size range. Comet and Dixons, through their Currys and PC World brands, dominate the electrical market in units of between 20,000 and 45,000 sq ft. Comet requires a further 20 units per annum in this size range over the next five to ten years.

The furniture market is dominated by Ikea, MFI and DFS. Ikea has recently announced an aggressive expansion campaign, and DFS remains as expansive as ever.

The discount clothing market is dominated by Matalan. They are actively seeking units from between 30,000 and 45,000 sq ft.

A new general merchandise category has emerged with the entry of Woolworths through their Big W format and anticipated Asda Wal-Mart, retailing from units of between 90,000 and 100,000 sq ft. Big W has stated that they require at least 60 stores within the next five years. Sports retail is dominated by JJB Sports and Sports Soccer in units of between 10,000 and 15,000 sq ft.

The above retailers spend considerable amounts on advertising and publicity, either through TV and press campaigns and/or through catalogues. Smaller complementary retailers in each of the subsections are attracted to the destination retailer and are prepared to pay significant rents to be represented alongside them.

The above factors have led to the advent of the destination retail park.

The Destination Retail Park

A destination park can be defined as a retail park of over 150,000 sq ft, located in a town with a population of in excess of 50,000. It is our belief that where a town currently has two, three or more retail parks of between 70,000 and 120,000 sq ft, these will be replaced by one or two parks of between 150,000 and 250,000 sq ft. These will accommodate destination Big Box retailers with complementary retailers being "forced" to relocate alongside.

Our future success will be derived from fulfilling the requirements of these destination Big Box retailers, either by transforming our existing portfolio or through new development to create retail parks in excess of 150,000 sq ft.

According to Verdict Research, “where the Big Box retailers come together, they will create ‘power nodes’ on the retail landscape that act as a regional draw for consumers. The impact of these ‘power nodes’ will be as significant on existing retail parks out-of-town, as it has been in the high street.”

Existing Portfolio

Our existing retail park portfolio currently comprises 1.4 million sq ft. During the year and to date, we sold two retail parks, which did not fulfil our destination park criteria and we will continue to review our portfolio to ensure it meets our criteria.

To date, agreements to lease have been concluded for 620,000 sq ft of retail floor space, including nine destination stores. £7.0m per annum of rent has been committed, of which £3.3m has been committed unconditionally.

Planning consents have been obtained for 200,000 sq ft of the 405,000 sq ft required.

We are close to completing the successful transition of three of our existing larger retail parks into destination parks at Beckton, Hull and Swansea, with the dominant anchors being B&Q or Big W and will shortly commence the transition of Wembley with a new 100,000 sq ft Homebase.

Portfolio Review

Aylesbury

We have now entered into conditional contracts to acquire the majority of the land required to undertake this 200,000 sq ft redevelopment. We are currently negotiating for our anchor DIY pre-lets, and intend submitting a planning application during the second quarter. The site has already been allocated and adopted by the local planning authority for retail warehouse use.

Beckton

This 190,000 sq ft scheme is now completely pre-let to retailers including Big W and Matalan and the necessary vacant possession has been achieved. A technical amendment to a planning consent is required, before development can commence, which we envisage being in the second quarter of the year.

Hull

Construction of a 130,000 sq ft B&Q and garden centre has commenced. Further pre-lets to destination furniture and electrical stores, DFS and Comet have also been achieved. A small revision to the existing planning consent is anticipated during the second quarter, and the refurbishment of the balance of the existing retail park should then commence. Further phases of retail and leisure on this 50 acre site are proposed.

Renfrew, Glasgow

We anticipate submitting a planning application during the first half of the year for an extension to our existing 224,000 sq ft retail park of a further 26,000 sq ft of retail and leisure space. We also intend to refurbish a further 45,000 sq ft.

Existing portfolio

	Existing Sq ft	Proposed Sq ft
Aylesbury	95,000	200,000
Beckton	140,000	190,000
Hull	180,000	255,000
Renfrew	230,000	250,000
Stratford	155,000	230,000
Swansea	80,000	160,000
Wembley	230,000	230,000
Other (smaller parks)	330,000	330,000
Total	1,440,000	1,845,000


B&Q
WAREHOUSE

Stratford-upon-Avon

Our joint ownership of this 155,000 sq ft park with Hermes Property Unit Trust has commenced well. This scheme is capable of an extension of up to 230,000 sq ft. Terms have been agreed with Matalan to extend their existing 30,000 sq ft store to 42,000 sq ft and further lettings are under negotiation.

Swansea

Pre-lets for 137,000 sq ft of our proposed 160,000 sq ft scheme have been achieved with our destination retailer being Big W. Planning consent has also been achieved. Upon completion of further legal agreements, redevelopment is planned to commence during the second quarter.

New Developments

Despite the Government's clampdown on out-of-town retail schemes, over the last two years, we have successfully assembled a development portfolio comprising approximately one million sq ft, which we believe to be unequalled in this sector in the UK.

The availability of an undeveloped large site with planning consents for a destination retail park is extremely difficult to achieve. In order to be in a position to carry out the development at Oldbury, we have been involved in a complicated procedure of land assembly, involving 22 separate legal interests. We have obtained planning consent for 250,000 sq ft of retail and leisure space, with proposals for a further 140,000 sq ft.

At Auchinlea, Glasgow, we have worked closely with both the Glasgow City Council and the Scottish Executive in devising an urban regeneration scheme, which has helped us successfully to obtain the planning consent for 600,000 sq ft of retail and leisure floor space.

Auchinlea/Junction 10, Glasgow

Our aim is to create Scotland's premier destination retail and leisure park. Initial response from occupiers to our proposed scheme involving 300,000 sq ft of A1 non-food, 130,000 sq ft food store, 170,000 sq ft of leisure including bars, a restaurant and hotel, has been encouraging.

Oldbury

A detailed planning consent has been obtained for 250,000 sq ft of retail and leisure. A pre-let has been exchanged with Homebase for 130,000 sq ft. We now propose to develop this site in two phases, and remain hopeful of obtaining the balance of the planning consent during the second half of the year.

Overview

Our retail park investments are currently in the process of transition from a diverse secondary portfolio into a focused, prime destination park.

Whilst in this transitional phase, during December 2000, the capital value of our retail park investment properties decreased by 5.5%. A number of factors led to what we believe to be this temporary fall in value.

Strategic vacancies of £2.7m per annum have significantly contributed to our high level of voids, currently 23% of estimated rental value. The equivalent yield on our existing portfolio at the year end was 7.1%, with an adverse yield shift on our smaller parks of 0.6%.

There have been delays in obtaining new or revised planning consents at Swansea and Beckton. Since the year end, we have obtained an open non-food planning consent at Swansea, and anticipate obtaining consent at Beckton during the second quarter of 2001.

Our aim is to create destination parks where retailers 'have to be there'. This will lead to significant future rental growth. Also, the ever increasing restriction in obtaining further planning consents will improve the value of the major parks.

Upon completion of our programme of extensive refurbishment, extensions and new development, we estimate receiving additional income in the region of £23m per annum, following anticipated capital expenditure of approximately £239m. Capital & Regional believes that there are in excess of a hundred towns and/or cities in the UK which satisfy the criteria for a destination retail park, and it is our aim to obtain as many opportunities as possible.

We are of the opinion that the acquisition and funding of further investments and developments capable of being transformed into a destination park, can also be achieved through joint ownership. Many pension funds and institutions, who already own the properties could benefit from our specialised management capabilities. We announced our first joint ownership, with Hermes Property Unit Trust for a park at Stratford-upon-Avon.

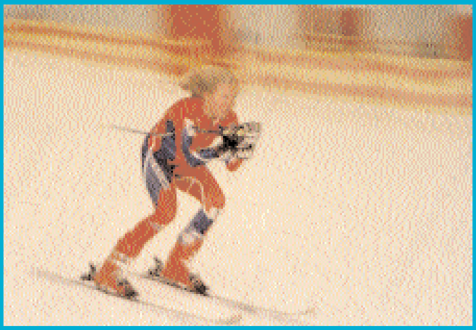
We also believe that additional non-property income value can be obtained through the branding of destination parks. We have been researching this for some 18 months, and will shortly announce our proposals in respect of our destination parks.

Capital & Regional has the specialist expertise and entrepreneurial management skills at the forefront of this sector and are well placed to maximise on the structural changes taking place.

Andrew Lewis-Pratt
Managing Director
Retail Parks

Xscape

The year 2000 saw the successful opening of our first Xscape at Milton Keynes. It has proven very popular with the consumer, with over three million visitors already enjoying this unique mix of snow centre, multi-screen cinema, family entertainment centre, indoor rock climbing, numerous restaurants, bars and urban lifestyle retailing.



Overview

The year 2000 saw the successful opening of our first Xscape at Milton Keynes. This unique entertainment centre was developed jointly with funds by PRICOA Property Investment Management. The scheme is now 97% let.

Xscape has proven very popular with the consumer, with over three million visitors already enjoying this unique mix of snow centre, multi-screen cinema, family entertainment centre, indoor rock climbing, numerous restaurants, bars and urban lifestyle retailing. The committed income at December 2000 was £3.8m with £5.5m expected by December 2001. The estimated income value is £6.6m.

As a result of the success of Milton Keynes, we are actively seeking to selectively roll-out the concept both in the UK and Continental Europe. Significant progress has already been made on the development programme.

Development Programme

Castleford

At Castleford, on the M62 adjacent to the Freeport factory outlet centre, we have the benefit of an option to acquire 22 acres of land with planning consent for a 330,000 net sq ft Xscape. Cine-UK has already exchanged Agreements to Lease for the anchor multiplex cinema and terms agreed with occupiers for a further 30% of the floor space. We hope to commence construction of this second Xscape during the second half of 2001.

Braehead

Since the year end, Capital & Regional has announced that it has entered into an exclusivity agreement with Capital Shopping Centres, to form a 50:50 joint partnership to fund and develop the Xscape concept at Braehead, Glasgow, subject to the fulfilment of a number of conditions, including planning. The scheme will comprise of approximately 400,000 net sq ft and is situated adjacent to their existing and successful regional shopping centre.

A number of operators at Milton Keynes have confirmed their intention to locate with us in Braehead. We are excited at the prospect of working with Capital Shopping Centres, in order to create what will be our third Xscape project in the UK.

Castrop-Rauxel (the Ruhr), Germany

At our first Continental Europe scheme at Castrop-Rauxel, significant progress has been made in our endeavours to obtain planning consent for a scheme comprising of up to 1,000,000 net sq ft on a site of 35 acres. We anticipate receiving planning zoning approval during the Summer, with a view to detailed planning consent being granted during early 2002.

Although we have yet to market the scheme, preliminary interest from a number of anchor tenants to operate the snow, family entertainment centre and major sports facilities, has been strong. Pathè has formally agreed to lease a 120,000 sq ft, 5,000 seat multiplex cinema which will be the largest in Germany.

Andrew Lewis-Pratt
Managing Director
Xscape

Principal Properties

over £30m

Pallasades Shopping Centre, Birmingham
Sector: Shopping Centre
Tenure: Leasehold
300,000 sq ft (27,881 sq m)
Principal tenants: Argos, Austin Reed, Boots, HMV, JJB Sports, New Look, Woolworths

Shopping City, Wood Green, London
Sector: Shopping Centre
Tenure: Freehold
670,000 sq ft (62,268 sq m)
Principal tenants: Argos, Boots, CineWorld, Ottakars, Pearsons, Wilkinsons, W H Smith, TK Maxx, Next, HMV, Peacocks, Woolworths, MFI

Ashley Centre, Epsom
Sector: Shopping Centre
Tenure: Leasehold
358,259 sq ft (33,295 sq m)
Principal tenants: Dickens & Jones, Gap, Hennes, Marks & Spencer, Next, Body Shop, Superdrug, Waitrose, W H Smith, McDonalds

Xscape, Milton Keynes
50:50 Joint Venture with PRICOA Property Investment Management
Sector: Leisure & Retail
Tenure: Leasehold
424,000 sq ft (39,405 sq m)
Principal tenants: Snozone, Esporta, CineWorld, Scottish & Newcastle, TMS Quiksilver, O'Neill

Howgate Shopping Centre, Falkirk
Sector: Shopping Centre
Tenure: Freehold
170,000 sq ft (15,799 sq m)
Principal tenants: Argos, Boots, Dorothy Perkins, Marks & Spencer, MVC, New Look, River Island, First Sport, Bank of Scotland, Superdrug, Woolworths

Renfrew, Glasgow
Sector: Retail Park
Tenure: Freehold
230,000 sq ft (21,375 sq m)
Principal tenants: B&Q, Carpetright, Comet, JJB Sports, Matalan

Selborne Walk, Walthamstow
Sector: Shopping Centre
Tenure: Leasehold
280,500 sq ft (26,069 sq m)
Principal tenants: BHS, Dixons, Etam, Poundland, Superdrug, Kwik Save, Boots, Timpson's

Trinity Centre, Aberdeen
Sector: Shopping Centre
Tenure: Freehold
200,000 sq ft (18,587 sq m)
Principal tenants: Argos, Debenhams, HMV, Ottakars, Superdrug

Hull
Sector: Retail Park
Tenure: Freehold
180,000 sq ft (16,729 sq m)
Principal tenants: B&Q, Comet, Brantano, UCI

Stratford-upon-Avon
50:50 Joint Venture with Hermes Property Unit Trust
Sector: Retail Park
Tenure: Freehold
155,000 sq ft(14,405 sq m)
Principal tenants: B&Q, Boots, Matalan, JJB Sports

Wembley
Sector: Retail Park
Tenure: Freehold
230,000 sq ft (21,375 sq m)
Principal tenants: Comet, MFI, Carpetright

Sauchiehall Centre, Glasgow
50:50 Joint Venture with Stannifer
Sector: Shopping Centre
Tenure: Freehold
180,000 sq ft (16,729 sq m)
Principal tenants: Clinton Cards, Healthland, JJB Sports, Superdrug, TK Maxx, WH Smith, Primark

£20m to £30m

Liberty 2, Romford
Sector: Shopping Centre
Tenure: Leasehold
320,000 sq ft (29,740 sq m)
Principal tenants: Allsports, McDonalds, Mecca Bingo, Odeon Cinema, Peacocks, Sainsbury's Superstore, Toni & Guy, Tchibo, BB Café & Muffins

Alhambra Shopping Centre, Barnsley
Sector: Shopping Centre
Tenure: Leasehold
170,000 sq ft (15,799 sq m)
Principal tenants: TK Maxx, Primark, Allsports, Mothercare, MVC, Next, Peacocks, Wilkinsons, Woolworths

Beckton, London
Sector: Retail Park
Tenure: Freehold
140,000 sq ft (13,011 sq m)
Principal tenants: JJB Sports, Matalan, Poundstretcher

£10m to £20m

Auchinlea/Junction 10, Glasgow
Sector: Retail Park
Tenure: Leasehold
95,000 sq ft (8,829 sq m)
Principal tenants: Carpetright, Mecca, MFI

Lancaster
Sector: Retail Park
Tenure: Freehold
107,880 sq ft (10,026 sq m)
Principal tenants: JJB Sports, MFI, Wickes, Matalan

10 Lower Grosvenor Place
Sector: Offices
Tenure: Leasehold
21,000 sq ft (1,952 sq m)
Principal tenants: Capital & Regional plc, iobox, the biw.com

Wyrley Brook Retail Park, Cannock
Sector: Retail Park
Tenure: Freehold
107,293 sq ft (9,971 sq m)
Principal tenants: B&Q
Allied Carpets, Fitness First

Aylesbury
Sector: Retail Park
Tenure: Freehold
95,000 sq ft (8,829 sq m)
Principal tenants: Wickes, Argos, Roseby

under £10m

Bognor Regis
Sector: Retail Park
Tenure: Freehold
62,000 sq ft (5,762 sq m)
Principal tenants: Halfords, Harveys, LIDL

Channons Hill Retail Park, Bristol
Sector: Retail Park
Tenure: Freehold
59,000 sq ft (5,483 sq m)
Principal tenants: Currys, Great Mills, LIDL

Eldon Garden Shopping Centre, Newcastle
Sector: Shopping Centre
Tenure: Leasehold
45,000 sq ft (4,182 sq m)
Principal tenants: Austin Reed, Sony Centre, The Pen Shop, The Pier, Wolford, R Sinton Jewellers

Board of Directors

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Executive Directors

Martin Barber, age 56
Chief Executive*

Martin Barber has been involved in commercial property as a developer and investor for over 30 years. He was a founder Director of the Company in 1979. He is Chairman of CenterPoint Properties Trust, a real estate investment trust, listed on the New York Stock Exchange and formerly a subsidiary of Capital & Regional. He is non-executive Chairman of PRICOA Property plc.

Roger Boyland FCA, age 56
Corporate Finance Director

Roger Boyland is a chartered accountant and has been involved in commercial property for 26 years. He was a founder Director of the Company and has responsibility for the Company's financing, including banking arrangements and corporate finance, risk management and portfolio performance analysis.

Lynda Coral BSC FCA, age 39
Financial Director

Lynda Coral has been a chartered accountant for 16 years and a Director of the Company since 1990. Lynda has overall responsibility for accounting and corporate support, including financial reporting, taxation, company secretarial, personnel, IT and office management.

Kenneth Ford BSC FRICS, age 47
Managing Director of Shopping Centres

Ken Ford has been involved in commercial property for 27 years. Ken has worked with Capital & Regional since he founded the Easter Management Group Scotland in 1991. He was appointed a Director of the Company in 1997 and is responsible for the shopping centre portfolio.

Andrew Lewis-Pratt BSC ARICS, age 43
Managing Director of Retail Parks & Xscape

Andrew Lewis-Pratt has nearly 20 years experience within the retail and leisure sectors. Andrew was previously Chief Executive of Lanham plc, prior to its acquisition by Capital & Regional in 1997. He was appointed as a Director of the Company in 1997 and is responsible for the retail parks and Xscape.

Xavier Pullen, age 49
Deputy Chief Executive

Xavier Pullen has been active in the property industry for over 30 years and was a founder Director of the Company in 1979. He focuses primarily on the supervision and coordination of all property matters.

1 Martin Barber
2 Roger Boyland
3 Lynda Coral
4 Kenneth Ford
5 Andrew Lewis-Pratt
6 Xavier Pullen
7 Viscount Chandos
8 David Cherry
9 Peter Duffy
10 Martin Gruselle

7

8

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Non-Executive Directors

Viscount Chandos#*, age 48
Chairman

Tom Chandos is managing director of Northbridge Ventures Limited, a London-based venture capital business backed by the South African group FirstRand Limited. He is also vice-chairman of the UK holding company of Havas Advertising SA; non-executive director of Middlesex Holdings plc; and a director of a number of private companies, including Cine-UK Limited. He is a Labour life peer. He was appointed as a Director of the Company in 1993 and as Chairman in 2000.

Peter Duffy†*, age 64

Peter Duffy was previously Managing Director of TR Property Investment Trust plc and Chairman of European City Estates N.V. He is a Director of Nightingale Square Properties plc. He was appointed as a Director of the Company in 1995.

David Cherry BSc†# FRICS, age 63

David Cherry is the former senior partner of Donaldsons, a national firm of commercial chartered surveyors with a significant reputation in retail property. He has wide experience in both the UK property market and was head of the organisation for eight years. He was appointed as a Director of the Company in 1997.

Martin Gruselle FCA†#, age 63

Martin Gruselle is a chartered accountant with wide experience in corporate finance. He acts as Chairman of the Remuneration and Audit Committees. He is also a non-executive director of Teesland plc. He was appointed as a Director of the Company in 1989.

†Member of Audit Committee
#Member of Remuneration Committee
*Member of Nomination Committee

Financial Review

Profit attributable increased from and earnings per 12.2p to 13.4p

Profit and loss account

Results for the year
Profit before tax has increased to £13.4m (1999: £12.8m) which includes gains of £4.1m (1999: £2.1m) on investment sales. Profit in the second half of the year is £3.4m compared to £10.0m in the first half, which included all of the investment gains and trading property profits of £1.0m. In addition, following the sale of the Group's shareholding in CenterPoint in the first half, income from listed investments of £0.7m did not arise in the last six months.

Rental income
Group rental income increased by 24% to £66.7m as shown in table 1. Also shown is the effect of the changes during 2000 on gross passing rent to arrive at £53.4m after disposals since the year end.

The gross passing rent at the end of 2000 does not include £6.5m (1999: £5.4m) of rent under agreements for lease executed on the investment portfolio. Including the effect of disposals since the year end, the current level of rents net of property costs is approximately £50m.

Costs and expenses
Net property costs have increased by £1.6m compared to the previous year primarily due to the full year effect of acquisitions made in 1999 and bad debts of £0.8m that have offset the reduction in void costs.

Performance related bonus payments to employees totalled £0.8m (1999: £1.7m). There are no bonuses for executive directors this year.

Profits on sale of assets
An accounting profit of £4.4m is recognised in the profit and loss account on disposals whereas, including further sales since the year end, realisations in the last 15 months have produced profits on a historical cost basis of over £47m as shown in table 2.

Net interest payable
Net interest costs have increased by £9.5m during the year reflecting the financing of acquisitions, refurbishment and development expenditure by additional bank debt. Approximately £2.7m (1999: £2.0m) of interest has been capitalised during the year, principally in relation to Shopping City, Wood Green and Xscape, Milton Keynes.

Taxation
There is no taxation charge on profit due to the utilisation of capital allowances. Tax of £6.5m on realisation of gains on sales of investments and investment properties is recognised in reserves. The establishment of new claims on refurbishment and development expenditure has replaced allowances utilised of over £14m in the year. As a result the tax written down value of assets subject to capital allowance claims is unchanged at approximately £38m. Unutilised losses carried forward are £2.4m (1999: £228,000), providing additional tax shelter for the future.

Earnings and dividends per share
Profit attributable to shareholders increased from £12.0m in 1999 to £13.0m this year and earnings per share rose to 13.4p from 12.2p. The total dividend of 5.5p per share is more than twice covered by profit attributable to shareholders.

Balance sheet

Net asset value
Table 3 analyses the movement in fully diluted shareholders' funds and net asset value per share during the year.

As the significant level of disposals has crystallised tax on revaluation surpluses it is useful to review the movement in net asset value per share after contingent liabilities. The calculation of net asset value per share after contingent deferred tax on accumulated revaluation surpluses and fair value adjustment of fixed rate debt instruments to market value is set out in table 4.

Property assets
Table 5 summarises the movement in the Company's total property portfolio during the year.

Joint ventures
Following the reclassification of Xscape Milton Keynes Partnership the Group's total investment in joint ventures is shown in table 6.

Investment in joint ventures includes £5.9m of revaluation surpluses.

to shareholders £12m to £13m share rose from

Table 1 Rental income

	2000 Group rental income £m	2000 Gross passing rent £m
Year ended 25th December 1999	53.6	62.3
Full year effect of acquisitions and disposals in 1999	6.5	–
Properties acquired in 2000	0.6	1.1
Properties sold in 2000	(0.8)	(1.9)
Net new lettings	3.1	7.4
Leases surrendered	(0.2)	(3.5)
Surrender premiums	2.4	–
Rent increases including reviews	1.5	2.4
Year ended 25th December 2000	66.7	67.8
Disposals since the year end		(14.4)
		53.4

Table 2 Profits on sale of assets

	Net sale proceeds	Book value	Profit on sale	Revaluation surplus	Historical cost profit
Trading properties	35.4	35.1	0.3	–	0.3
Investment properties	1.6	1.4	0.2	0.1	0.3
CenterPoint	25.0	21.1	3.9	18.1	22.0
Year ended 25th December 2000	62.0	57.6	4.4	18.2	22.6
Post year end sales	183.9	183.9	–	24.6	24.6
	245.9	241.5	4.4	42.8	47.2

Table 3 Net asset value analysis

	£m	Pence per share
At 25th December 1999	416.6	376.4
Revaluation	(33.7)	(33.4)
Tax on disposals	(6.5)	(6.5)
Retained profit	8.0	8.0
Share repurchases	(20.7)	15.1
At 25th December 2000	363.7	359.6

Table 4 Net asset value per share

	2000 Pence	1999 Pence
Diluted net assets per share	359.6	376.4
Deferred tax	(34.4)	(47.1)
	325.2	329.3
Fair value adjustment on fixed rate debt	(2.4)	0.9
	322.8	330.2

Table 5 Property assets

	Investment properties £m	Properties under construction £m	Head office £m	Current property assets £m	Total £m
At 25th December 1999	903.6	29.5	13.1	34.7	980.9
Acquisitions	20.9	–	–	4.7	25.6
Refurbishment and development	25.0	17.3	0.1	14.0	56.4
Disposals	(2.0)	–	–	(34.0)	(36.0)
Amortisation	(0.2)	–	–	–	(0.2)
Reclassification	8.5	(47.0)	–	–	(38.5)
Revaluation	(34.1)	0.2	0.5	–	(33.4)
At 25th December 2000	921.7	–	13.7	19.4	954.8
Disposals since year end	(183.9)	–	–	–	(183.9)
Proforma	737.8	–	13.7	19.4	770.9

Table 6 Joint ventures

	Investment £m	Debtors £m	2000 Total £m	1999 Total £m
Xscape Milton Keynes Partnership	10.0	–	10.0	–
Capital Hill Partnership	17.6	–	17.6	–
Easter Holdings Limited	1.1	4.5	5.6	5.9
Other	1.0	0.4	1.4	1.1
Total	29.7	4.9	34.6	7.0

Disposals since reduced gearing diluted basis

Table 7 Debt valuation

	Book value £m	Notional principal £m	Market value £m	Fair value adjustment 2000 £m	Fair value adjustment 1999 £m
CULS	24.6	n/a	24.6	–	–
Bank borrowings	15.3	n/a	15.6	(0.3)	–
Interest rate swaps	n/a	204.5	207.7	(3.2)	1.5
	39.9	204.5	247.9	(3.5)	1.5
Minority Interests				0.1	–
Fair value adjustment attributable to Group				(3.4)	1.5
Net of tax at 30% (1999: 30%)				(2.4)	1.1

Table 8 Fair value adjustment expiry profile

	2000 Fair value adjustment	1999 Fair value adjustment
2000	–	1.4
2001	(1.7)	2.2
2002	(1.5)	(1.2)
2003	(0.3)	(0.9)
Total	(3.5)	1.5

Minority interests
Minority interests at the end of 2000 and the prior year represents the participation by Peter Taylor and his associates in Easter Capital Investment Holdings Limited.

Accounting developments
A number of proposals issued or in the pipeline will have an impact on the Group's future financial results. Financial Reporting Standard ("FRS") No.19 (Deferred Tax) requires full provision for contingent tax excluding revaluation adjustments and is effective from 2002. Abstract 28 (operating lease incentives) recently issued by the Urgent Issues Task Force is effective from 2001 and requires tenant incentives to be treated as a reduction of rental income by allocation of the cost in the profit and loss account over the period of the market rent.

New projects on Financial Instruments, Leases and Reporting Financial Performance will result in significant changes to the content and presentation of financial statements and will be closely monitored for the effect on the Group.

Xscape Milton Keynes Partnership has been reclassified as a joint venture. The gross equity method of accounting is therefore adopted at the year end rather than including the Group's proportion of assets, liabilities, income and expenditure.

Joint venture accounting is also applicable to partnerships newly formed, namely Capital Hill Partnership and Sauchiehall Centre Limited.

Finance

Summary
The Group's borrowings at 25th December 2000 were £615.6m (1999: £603.0m) including £24.6m (1999: £24.6m) of Convertible Subordinated Unsecured Loan Stock (CULS). Total borrowings by joint ventures were an additional £50.4m (1999: £5.3m). Net cash balances were £6.1m (1999: £7.4m) and the Group had approximately £10.3m (1999: £21.5m) of undrawn secured facilities that has increased to £51.5m as a result of sales since the year end.

During the year borrowings increased by £35.2m to finance acquisitions, refurbishment and development net of funds raised from disposals. As a result of the reclassification of Xscape Milton Keynes Partnership as a joint venture, the Group's £22.6m share of related bank debt is no longer included in Group borrowings.

As shown in the proforma balance sheet in Note 37, disposals completed since the year end have reduced net debt to £427.7m. The fully diluted level of gearing at 159% (1999: 134%) has been reduced substantially by disposals since the year end to 110%.

The anticipated capital expenditure of £239m in respect of retail parks, which is projected to produce additional income of approximately £23m, will be financed through both existing banking relationships and project finance for the larger schemes. The value creation as a result of this expenditure should not have an adverse effect on the gearing of the Group.

Financing strategy
The Group has a financing strategy with banks that, in the opinion of the Directors, have experienced property teams and long-term commitment to the UK property market. The Group's strategy is to enter into extendable secured revolving credit facilities with broadly similar terms and covenants. These facilities provide the Group with the flexibility to draw down and repay borrowings within the covenant parameters, and provide a cost-efficient structure which allows for the addition and disposal of properties as security.

Project loan finance is separately arranged as required for specific developments and joint ventures.

the year end have to 110% on a fully

Table 9 Debt maturity

	Drawn		Undrawn	
	Earliest £m	"Evergreen" £m	Earliest £m	"Evergreen" £m
2001	58.35	–	–	–
2002	0.20	–	–	–
2003	420.45	420.25	3.75	3.75
2004	102.95	90.00	6.50	6.50
2006	0.20	–	–	–
2009	8.80	–	–	–
Bank borrowings	590.95	510.25	10.25	10.25
2006/16 Convertible loan stock	24.64	–	–	–
	615.59	510.25	10.25	10.25

Interest rate hedging strategy

The Group's strategy is to enter into mainly five year interest rate swaps on a rolling basis, which provides for both protection against any sudden rise in interest rates and scope to take advantage of fluctuating rates on expiring swaps and unhedged borrowings. The balance between borrowing on floating and hedged interest rates is continually reviewed in the light of market conditions and business requirements.

Fixed and swapped interest rates at 25th December 2000 applied to borrowings of £244.4m (1999: £272.4m) with the balance of £371.2m (1999: £330.6m) being at variable interest rates based on three month LIBOR. The weighted average interest rate cost for fixed and swapped borrowings at 25th December 2000, was 7.6% (1999: 7.8%) and for variable rates 6.9% (1999: 6.9%).

The weighted average interest rate cost of total borrowings at the year end has reduced to 7.2% compared to 7.3% at the end of 1999. The weighted average period for which interest rates are fixed on Group bank borrowings is 1.88 years (1999: 2.64) and 3.22 years including CULS (1999: 3.89).

Debt valuation

A valuation was carried out by J C Rathbone Associates Limited as at 25th December 2000 and 25th December 1999, to calculate the market value of fixed rate debt instruments on a replacement basis and the expiry profile of the resulting fair value adjustment.

Table 7 shows the market value of fixed rate debt instruments, and reflects the difference between the interest rate yield curve as at 25th December 2000 and the rates historically committed; namely the fair value adjustment.

The fair value adjustment at 25th December 2000 would have a negative effect on net asset value of £3.4m compared to a positive effect of £1.5m at 25th December 1999.

The fair value adjustment for financial instruments in joint ventures total £195,000 (1999: £607,000 positive). The Group's share is not included in the table above.

The expiry profile of the fair value adjustment is in table 8.

The fair value adjustment represents approximately 0.57% (1999: 0.25%) of Group borrowings and has a notional adverse effect on net asset value per share of 2.4p at 25th December 2000 (1999: beneficial 1.0p).

Debt maturity

Table 9 shows the maturity profile of Group borrowings and undrawn secured facilities at 25th December 2000. Over 86% (1999: 93%) of bank borrowings had the benefit of "evergreen" arrangements which we expect will extend maturity dates beyond the earliest repayment date shown. The evergreen arrangements provide a minimum of two years' notice of repayment.

Gearing

Net debt to capital employed has risen to 178% at the year end (1999: 149%) and reduces to 159% (1999: 134%) assuming the conversion of the loan stock to equity. Disposals since the year end have reduced gearing to 125% or 110% on a fully diluted basis.

Rental income as a ratio to net interest payable including capitalised interest is 1.5 times for 2000 (1999: 1.6 times) when calculated excluding non-recurring income. The margin by which rental income exceeds total net interest payable has increased to £23m (1999: £20m) for the year ended 25th December 2000. Following the disposals since the year end, the margin by which net rental income exceeds interest is approximately £19m.

Lynda Coral
Financial Director

Roger Boyland
Corporate Finance Director

Five Year Record

for the years ended 25th December 1996 to 25th December 2000

	2000	1999	1998	1997	1996
No. of shares in issue (million)	88.735	98.266	98.255	76.399	45.595
Diluted no. of shares in issue (million)	101.147	110.678	110.667	88.668	58.181
Net assets per share‡	359.6p	376.4p	320.6p	272.0p	223.1p
Net assets per share growth	(4.5%)	17.4%	17.9%	†27.6%	19.8%

	£000	£000	£000	£000	£000
Equity shareholders' funds	339,558	392,566	330,816	217,299	104,701
Minority interests	3,674	4,341	2,101	933	2,458
Non-equity funding by joint arrangement partners	–	4,000	3,250	–	–
Capital employed	343,232	400,907	336,167	218,232	107,159
Borrowings	590,449	577,891	340,926	237,036	143,872
Cash at bank	6,091	7,388	5,476	9,229	6,261
Net bank debt	584,358	570,503	335,450	227,807	137,611
Convertible loan stock	24,132	24,041	23,950	23,840	25,108
Net debt	608,490	594,544	359,400	251,647	162,719
Net debt/capital employed‡	159.2%	134.4%	93.3%	94.1%	104.3%

	£000	£000	£000	£000	£000
Rental income	66,704	53,597	44,910	28,857	17,834
Net rental income	57,017	45,512	38,507	23,728	14,158
Net interest payable***	41,027	32,018	24,057	16,788	9,153
Profit on ordinary activities before taxation**	13,359	12,838	11,481	11,083	6,051
Earnings per share*	13.4p	12.2p	12.1p	15.4p	11.9p
Dividend per share	5.5p	5.0p	4.25p	3.5p	3.0p

† A Placing and Offer in May 1997 of 28,159,526 new Ordinary shares at 215p resulted in a dilution of 1997 diluted net assets per share to 213.1p. The growth in net assets per share for 1997 is calculated after adjusting for the effect of this dilution on 1997.

‡Assuming conversion of the convertible loan stock to equity.

*Earnings per share for prior years have been adjusted to reflect the two for seven rights issue in April 1998.

**As adjusted for Financial Reporting Standard No. 9.

***Excludes share of net interest payable of Joint Ventures and Associates.

Report on Directors' Remuneration and Interests

Remuneration Committee

The Remuneration Committee ("the Committee") consists of not less than three non-executive directors nominated by the full Board. The Committee meets at least twice a year, the quorum for a meeting being at least two members. The present members are Tom Chandos, David Cherry and Martin Gruselle (Chairman).

The Committee is responsible for setting the remuneration policy for the executive directors and senior employees and ensuring compliance with best practice provisions. The Committee determines the terms of the service agreements, salaries and discretionary bonus payments, as well as deciding on the grant of share options for the executive directors. The recommendations made by the Executive Directors Committee for the grant of share options to other employees require the approval of the Committee. In preparing this annual report to shareholders on behalf of the Board, the Committee has complied with relevant provisions of the Combined Code.

Remuneration policy

In setting the remuneration policies for the executive directors, the Committee has given full consideration to the requirements of the Combined Code appended to the Listing Rules of the UK Listing Authority including the provisions in Schedule B relating to the design of performance-related remuneration.

The Committee, using published data and market research, seeks to ensure that the total remuneration received by the executive directors under their contracts is competitive within the property industry and will motivate them to perform at the highest level.

Basic salaries and benefits are reviewed annually by the Committee. The basic salaries of the executive directors were increased from 1st January 2000.

No discretionary bonuses have become payable to the executive directors in respect of the year 2000 under the existing guidelines as net asset value per share has declined.

The Committee has, with independent advisers, reviewed all aspects of the existing remuneration packages of the Executive Directors. It has concluded that, although basic salaries are in line with those paid by comparative companies in the industry, the level of other aspects of their compensation packages are not. In particular, the levels of long-term incentive rewards are low. The Committee is therefore in the process of devising new guidelines for such remuneration (including annual cash bonuses) full details of which will be set out in a circular to shareholders when approval of the new guidelines is sought.

Each of the executive directors has a service agreement which can be terminated on one year's notice by either party; the terms of these agreements do not allow the executive directors to engage in any other business outside the Company except where prior written consent from the Committee is obtained.

The fees of the non-executive directors are determined annually by the Board acting on the recommendations of the Executive Directors Committee within the limits set by the Company's Memorandum and Articles of Association and using external market research for guidance. Peter Duffy retires by rotation under the Company's Articles of Association, and will offer himself for re-election at the Annual General meeting to be held on 25th May 2001. If re-elected, his appointment, which expires on 26th May 2001, will be renewed for a further three year term. The non-executive directors do not receive share options or any other form of remuneration from the Company.

Remuneration

The remuneration of the directors is analysed below:

	Salary and fees		Discretionary bonus		Pension contributions		Other benefits†		Total	
	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000
M. Barber	205	198	–	140	41	40	22	20	268	398
X. Pullen	205	180	–	140	41	36	19	22	265	378
K. Ford	200	175	–	140	30	26	21	17	251	358
A. Lewis-Pratt	200	175	–	140	30	26	21	22	251	363
R. Boyland	160	155	–	125	32	31	20	23	212	334
L. Coral	160	115	–	105	24	17	16	14	200	251
	1,130	998	–	790	198	176	119	118	1,447	2,082
M. Gruselle	32	32							32	32
D. Cherry	22	22							22	22
T. Chandos*	48	37							48	37
P. Duffy	22	22							22	22
	124	113							124	113
Total	1,254	1,111	–	790	198	176	119	118	1,571	2,195

*Including fees of £15,000 received from Easter Holdings Limited and Easter Capital Investment Holdings Limited for services as a non-executive director.

†Other benefits include the taxable value of private medical insurance and company car, or if a director has opted out of the Company car scheme, a salary supplement in lieu of a company car.

Directors' interests

The directors and, where relevant, their connected persons (within the meaning of Section 346 of the Companies Act 1985) are beneficially interested in the Ordinary share capital of the Company as follows:

	Ordinary shares of 10p each at 25th December		6.75% convertible subordinated unsecured loan stock 2006/16 at 25th December	
	2000 Shares	1999 Shares	2000 £	1999 £
M. Barber	2,727,186	2,675,820	35,394	35,394
X. Pullen	1,004,545	1,003,179	23,693	23,693
R. Boyland	557,485	506,119	13,000	13,000
L. Coral	4,861	3,463	25	25
K. Ford	383,805	377,639	–	–
A. Lewis-Pratt	114,153	112,787	–	–
M. Gruselle	50,653	50,653	943	943
Viscount Chandos	45,000	27,926	15,000	3,313
P. Duffy	–	–	–	–
D. Cherry	4,138	4,138	–	–
Total at 25th December 2000	4,891,826	4,761,724	88,055	76,368

There have been no changes to the directors' interests since 25th December 2000, except A. Lewis-Pratt who sold 100,000 Ordinary shares of 10p each on 19th January 2001.

Share incentives

From time to time the Committee has recommended to the Board that options should be granted to executive directors and other employees under the Executive Share Option Schemes.

In 2000, options were granted over a total of 545,000 Ordinary shares under the 1998 Discretionary Share Option Schemes, as follows:

Date	Exercise price	Directors	Executives	Total
22nd February 2000	201.5p	–	190,000	190,000
13th September 2000	211.5p	300,000	55,000	355,000

The table below gives details of the options granted to the executive directors:

				Options over Ordinary shares of 10p each		
Director	Date granted	Exercise conditions met	Exercise price	At beginning of year	Issued in year	At end of year
M. Barber	22nd December 1993	Yes	168.9p*	136,878		136,878
	28th October 1994	Yes	131.4p*	104,263		104,263
	18th June 1997	Yes	226.4p*	50,582		50,582
	13th September 2000	Not yet	211.5p		50,000	50,000
				291,723	50,000	341,723
R. Boyland	22nd December 1993	Yes	168.9p*	136,878		136,878
	28th October 1994	Yes	131.4p*	104,263		104,263
	18th June 1997	Yes	226.4p*	50,582		50,582
	15th May 1998	Not yet	279.5p	100,000		100,000
	13th September 2000	Not yet	211.5p		50,000	50,000
				391,723	50,000	441,723
X. Pullen	22nd December 1993	Yes	168.9p*	136,878		136,878
	28th October 1994	Yes	131.4p*	104,263		104,263
	18th June 1997	Yes	226.4p*	50,582		50,582
	15th May 1998	Not yet	279.5p	100,000		100,000
	13th September 2000	Not yet	211.5p		50,000	50,000
				391,723	50,000	441,723
L. Coral	22nd December 1993	Yes	168.9p*	50,180		50,180
	28th October 1994	Yes	131.4p*	26,066		26,066
	21st October 1996	Yes	193.2p*	78,197		78,197
	18th June 1997	Yes	226.4p*	50,582		50,582
	15th May 1998	Not yet	279.5p	100,000		100,000
	23rd February 1999	Not yet	191.5p	25,000		25,000
	13th September 2000	Not yet	211.5p		50,000	50,000
				330,025	50,000	380,025
K. Ford	18th June 1997	Yes	226.4p*	151,747		151,747
	15th May 1998	Not yet	279.5p	175,000		175,000
	23rd February 1999	Not yet	191.5p	75,000		75,000
	13th September 2000	Not yet	211.5p		50,000	50,000
				401,747	50,000	451,747
A. Lewis-Pratt	18th June 1997	Yes	226.4p*	151,747		151,747
	15th May 1998	Not yet	279.5p	175,000		175,000
	23rd February 1999	Not yet	191.5p	75,000		75,000
	13th September 2000	Not yet	211.5p		50,000	50,000
				401,747	50,000	451,747

*Exercise price and number of options have been adjusted since being granted for subsequent share capital reorganisations, the Rights Issue in April 1994, the Placing and Open Offer in May 1997 and the Rights Issue in April 1998.

Share incentives continued

The table below gives details of potential gains on the options granted to the executive directors:

	M. Barber £000	R. Boyland £000	X. Pullen £000	L. Coral £000	K. Ford £000	A. Lewis-Pratt £000
Total subscription price	589	868	868	818	1,082	1,082
Potential profit on exercise of options:*						
Options where exercise condition has been met	144	144	144	58	–	–
Options where exercise condition has yet to be met	1	1	1	6	16	16
Total at year end	145	145	145	64	16	16

* Using a share price of 212.5p as at 27th March 2001.
The Company's share price was 227.5p on 25th December 2000. During the year the share price ranged from 195.5p to 246p.
There has been no change in directors' interests in options since 25th December 2000.

Options granted prior to 1997, 13,000 options granted to each of K. Ford and A. Lewis-Pratt in June 1997 and those granted in 1998, 1999 and 2000 can only be exercised within the seven year period commencing three years after the date of grant. All other options granted in 1997 can only be exercised within a four year period commencing three years after the date of grant.

All the options granted require the achievement of growth in net assets per share above predefined targets. Options can only be exercised if growth in fully diluted net asset value per share during any three year period prior to the expiry date of the option exceeds the growth in the Monthly Index of Capital Values for All Properties published by the Investment Property Databank for the same period. An additional exercise criteria for options granted in 1998 and subsequent years requires the total return for shareholders over any three year period to exceed the increase over the same period in the Index of Total Returns for the Property Sector as shown in the FT-SE Actuaries Indices published in the Financial Times.

A total of 83,326 shares with a value of £183,000 were issued to eligible employees in December 2000 under the Capital & Regional All Employee Share Ownership Plan including 1,366 shares to each executive director.

Martin Gruselle, Chairman
Remuneration Committee
30th March 2001

Corporate Governance Statement

Introduction
The Company is required to comply, for the accounting period ended 25th December 2000, with “The Combined Code – Principles of Good Governance and Code of Best Practice” (“the Combined Code”).

Governance: principles and procedures
Details of how the Company has applied the Code are as follows for each of the Code’s four distinct areas:

Directors
The Company is controlled through the Board of Directors which is chaired by Viscount Chandos and consists of six executive and four non-executive directors, thus providing an appropriate balance of power and authority. The non-executive directors are all independent of the Group. The Chairman is one of the non-executive directors, and there is a clear division of responsibility between the Chairman and the Chief Executive.

The Board reviews the schedule of matters reserved to it for decision at least once a year. Board approval is required for all significant or strategic decisions including major acquisitions, disposals and financing transactions. A procedure for directors to take independent professional advice if necessary has been agreed by the Board and formally confirmed to all directors.

Details of all the directors are set out on pages 28 to 29. Martin Gruselle has been nominated as the senior independent director as required by the Code.

The Board meets at least quarterly and each member receives up to date financial and commercial information prior to each meeting, in particular quarterly management accounts and schedules of property income and outgoings (each with comparisons against budget), schedules of acquisitions and disposals and relevant appraisals (prior Board approval being required for large transactions) and cash flow forecasts and details of funding availability.

All members of the Board are subject to the re-election provisions of the Articles which requires them to offer themselves for re-election at least once every three years. Any proposal to appoint new directors to the Board is discussed initially by the Nomination Committee and thereafter at a full Board meeting. The Board is given an opportunity to meet the individual concerned prior to any formal decision being taken. The Nomination Committee, which consists of the Chairman, the Chief Executive, and one non-executive director meets when necessary.

The directors have delegated certain of their responsibilities to committees that operate within specified terms of reference and authority limits that are reviewed annually or in response to changed circumstances. An Executive Directors Committee, whose members include the six executive directors, meets on a weekly basis and deals with all major decisions of the Group not requiring full Board approval or authorisation by other Board Committees. The Executive Directors Committee is quorate with four directors in attendance; if decisions are not unanimous the matter is referred to the Board for approval. Notes and action points from Executive Directors Committee meetings are circulated to the Board. The Audit and Remuneration Committees, which consist solely of non-executive directors, meet at least twice a year.

Directors’ remuneration
The Remuneration Committee makes recommendations to the Board, within existing terms of reference, on remuneration policy and determines, on behalf of the Board, specific remuneration packages for each executive director. A proportion of all executive directors’ remuneration consists of cash bonuses and share options (each linked to corporate and individual performance achievements) the levels of which are determined by the Remuneration Committee.

The fees of the non-executive directors are reviewed by the Board at regular intervals. The statement of remuneration policy and details of each director’s remuneration is set out in the report on Directors Remuneration and Interests on pages 35 to 37.

Shareholder relations
The Company has always encouraged regular dialogue with its institutional shareholders and private investors at the Annual General Meeting, through corporate functions and property visits. Update meetings are held with institutional shareholders following announcement of preliminary and interim results and as requested throughout the year. Directors are accessible to all shareholders and queries received verbally or in writing are immediately addressed. Directors are introduced to shareholders at the Annual General Meeting including the identification of non-executives and Committee Chairmen.

Accountability and audit
The Company’s annual report and accounts includes detailed reviews of the activity at each of the principal properties within the portfolio each year, together with a detailed review of its financial results and financing position. In this way the Board seeks to present a balanced and understandable assessment of the Company’s position and prospects.

Internal control
The Directors are responsible for the Company’s system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

There are ongoing processes and procedures for identifying, evaluating and managing the significant risks faced by the Company, which have been in place during 2000 and up to the date of approval of the Annual Report and Accounts. The processes are regularly reviewed by the Board and accord with the Turnbull Committee guidance on internal control issued in September 1999. The procedures in place for financial reporting to the executive directors and the Board include the preparation of budgets and forecasts, cash management, variance analysis, property, taxation and treasury reports and a report on financing. Authority limits are clearly defined throughout the organisation including the schedule of matters reserved for the approval of the Board or a specified Committee of the Board or individual directors. The directors carried out their review of the current system and updated the documentation of key risk, operational controls and procedures relating to different areas of the business. These included: environmental surveys; disaster recovery plans for all centres; review of strategy and changes in the economic environment; computer back-up (off-site) and recovery procedures; investment portfolio review and marketing. In this review, that is repeated at least once a year, the directors have considered the effectiveness of the internal control framework.

The Group does not currently have an internal audit function but the need for one is reconsidered by the Audit Committee from time to time.

Going concern
In compliance with the Listing Rules of the UK Listing Authority the directors can report that based on the Group’s budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

Audit Committee
The Company’s Audit Committee, consisting of not less than three non-executive directors, has written terms of reference under which it is responsible for the relationship with the Group’s auditors and for reviewing in depth the Company’s financial report, circulars to shareholders and internal controls. The terms of reference were reviewed and updated in 1999 to ensure the Audit Committee’s duties adequately cover all areas identified by the Code, including review of cost effectiveness and the volume of non-audit services provided to the Group. The Audit Committee meets prior to Board meetings to consider the Interim and Annual results and on an ad hoc basis at other times during the year. In 2000 the Committee met twice.

Directors' responsibilities statement

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit and loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonably and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 25th December 2000. The directors also confirm that applicable accounting standards and the Companies Act 1985 have been followed with the exception of the departures disclosed and explained in note 1 to the financial statements.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the Group and prevent and detect fraud and other irregularities.

Compliance Statement

The Company is committed to high standards of corporate governance and throughout the year ended 25th December 2000, the Company has been in compliance with the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the UK Listing Authority.

By Order of the Board

Falguni Desai

F. Desai, Secretary
30th March 2001

Auditors' Report

to the members of Capital & Regional plc

We have audited the financial statements on pages 40 to 57 which have been prepared under the accounting policies set out on pages 45 and 46.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 39 preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement on page 39 reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing 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 the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 25th December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House, 1 Little New Street, London EC4A 3TR
30th March 2001

Consolidated Profit and Loss Account

for the year ended 25th December 2000

	Notes	2000 £000	1999 £000
Turnover: group rental income and share of joint ventures' turnover	2	78,686	60,211
Less: share of joint ventures' turnover	17	(11,982)	(6,614)
Group rental income		66,704	53,597
Net property costs		(9,687)	(8,085)
Net rental income		57,017	45,512
Profit on the sale of trading and development properties	3	306	1,646
		57,323	47,158
Administrative expenses	4	(7,955)	(7,163)
		49,368	39,995
Other operating income		502	955
Group operating profit		49,870	40,950
Share of operating profit in joint ventures and associates	17	581	694
		50,451	41,644
Profit on sale of investment properties and investments	3	4,092	2,143
Profit on ordinary activities before interest		54,543	43,787
Income from listed investments		659	1,337
Interest receivable and similar income	5	824	719
Interest payable and similar charges	6	(42,667)	(33,005)
Profit on ordinary activities before taxation	7	13,359	12,838
Taxation	10	59	(409)
Profit on ordinary activities after taxation		13,418	12,429
Equity minority interests	28	(391)	(426)
Profit attributable to the shareholders of the Company	11	13,027	12,003
Equity dividends paid and payable	12	(5,070)	(4,913)
Profit retained in the year	27	7,957	7,090
Earnings per share	13	13.4p	12.2p
Earnings per share – diluted	13	13.4p	12.2p

The results of the Group for the year related entirely to continuing operations within the meaning of Financial Reporting Standard No. 3.

The notes on pages 45 to 57 form part of these financial statements.

Note of Historical Cost Profits and Losses

for the year ended 25th December 2000

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	13,359	12,838
Realisation of property revaluation surplus of previous years	74	2,136
Realisation of other investment revaluation surplus/(deficit) of previous years	18,099	(774)
Realisation of property revaluation surplus of previous years in joint ventures	40	–
Historical cost profit on ordinary activities before taxation	31,572	14,200
Historical cost profit for year retained after taxation, minority interests and dividends	22,556	8,452

Statement of Total Recognised Gains and Losses

for the year ended 25th December 2000

	Notes	2000 £000	1999 £000
Share of unrealised (deficit)/surplus on valuation of investment properties	27	(33,361)	54,520
Share of unrealised surplus/(deficit) on valuation of other fixed assets	27	512	(596)
Share of unrealised (deficit)/surplus on valuation of properties in joint ventures	17	(814)	46
Revaluation surplus on other investments		–	675
Share of tax on revaluation surpluses realised in year	27	(3,614)	–
Deferred tax provided on unrealised revaluation surpluses	31	(2,952)	–
Exchange differences		3	1
		(40,226)	54,646
Profit for the year attributable to shareholders of the Company		13,027	12,003
Total recognised gains and losses relating to the year		(27,199)	66,649

Reconciliation of Movements in Shareholders' Funds

for the year ended 25th December 2000

	Notes	2000 £000	1999 £000
Profit for the year attributable to shareholders of the Company		13,027	12,003
Equity dividends paid and payable	12	(5,070)	(4,913)
Profit retained in the year		7,957	7,090
Share capital and share premium issued in year		20	14
Share capital purchased and cancelled in year (including expenses)	27	(20,759)	–
Other recognised gains and losses relating to year (see above)		(40,226)	54,646
Net (reduction)/addition to shareholders' funds		(53,008)	61,750
Opening shareholders' funds		392,566	330,816
Closing shareholders' funds		339,558	392,566

The notes on pages 45 to 57 form part of these financial statements.

Consolidated Balance Sheet

as at 25th December 2000

	Notes	2000 £000	2000 £000	1999 £000	1999 £000
Fixed assets					
Property assets	14		921,681		933,140
Other fixed assets	15		14,521		14,073
			936,202		947,213
Other investments	16		–		21,120
Investment in joint ventures:	17				
share of gross assets			67,930		8,650
share of gross liabilities			(38,264)		(6,428)
			29,666		2,222
Investment in associates	18		–		5
			965,868		970,560
Current assets					
Property assets	19	18,846		34,660	
Debtors:					
amounts falling due after more than one year	20	–		4,840	
amounts falling due within one year	20	40,700		40,389	
Cash at bank and in hand	21	6,091		7,388	
		65,637		87,277	
Creditors: amounts falling due within one year	22	(128,739)		(58,178)	
Net current (liabilities)/assets			(63,102)		29,099
Total assets less current liabilities			902,766		999,659
Creditors: amounts falling due after more than one year (including convertible unsecured loan stock)	23		(556,582)		(598,752)
Provisions for liabilities and charges	31		(2,952)		–
Net assets			343,232		400,907
Capital and reserves					
Called up share capital	26		8,874		9,827
Share premium account	27		161,895		161,876
Revaluation reserve	27		130,008		184,836
Other reserves	27		1,545		591
Profit and loss account	27		37,236		35,436
Equity shareholders' funds			339,558		392,566
Equity minority interests	28		3,674		4,341
Non-equity funding by joint arrangement partners	29		–		4,000
Capital employed			343,232		400,907
Net assets per share adjusted for minority interests and non-equity funding	30		382.7p		399.5p
Net assets per share adjusted for minority interests and non-equity funding – diluted	30		359.6p		376.4p

The financial statements were approved by the board of directors and signed on their behalf on 30th March 2001 by:

M. Barber
L. Coral

The notes on pages 45 to 57 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 25th December 2000

	Notes	£000	2000 £000	£000	1999 £000
Net cash inflow from operating activities	35(a)		54,677		42,269
Dividends received from joint ventures			180		300
Dividends received from associates			5		714
Returns on investments and servicing of finance					
Dividends received from listed investments		625		1,095	
Interest received		795		686	
Interest paid		(44,063)		(32,291)	
Dividend paid to minority interests		–		(87)	
Loan arrangement costs		(317)		(331)	
			(42,960)		(30,928)
			11,902		12,355
Taxation					
UK corporation tax paid		(622)		–	
UK income tax deducted at source		–		(66)	
UK income tax recovered		–		161	
USA withholding tax recovered		–		17	
			(622)		112
Net operating cash flow			11,280		12,467
Capital expenditure and financial investment					
Payments for:					
Additions to investment properties		(61,586)		(230,024)	
Additions to properties held as current assets		(20,746)		(34,205)	
Additions to other tangible assets		(1,239)		(13,794)	
Loans to joint ventures		(2,433)		(4,884)	
Receipts from:					
Sale of investment properties		1,632		16,225	
Sale of properties held as current assets		43,562		16,027	
Sale of other tangible assets		108		37	
Sale of investments		25,042		2,414	
Repayment of capital and loans from associates		–		2,829	
Repayment of loans by joint ventures		2,337		4,023	
			(13,323)		(241,352)
			(2,043)		(228,885)
Acquisitions and disposals					
Additions to joint ventures		(18,025)		–	
Reclassification of cash in joint arrangement		(591)		–	
Acquisition of minority interests in subsidiary		(100)		–	
			(18,716)		–
			(20,759)		(228,885)
Equity dividends paid			(5,134)		(6,141)
Cash outflow before financing			(25,893)		(235,026)
Financing					
Issue of ordinary share capital		20		14	
Share capital purchased and cancelled in year		(10,593)		–	
Bank loans received		108,765		349,170	
Bank loans repaid		(73,596)		(112,246)	
			24,596		236,938
(Decrease)/increase in cash	35(b)		(1,297)		1,912

The notes on pages 45 to 57 form part of these financial statements.

Company Balance Sheet
as at 25th December 2000

	Notes	£000	2000 £000	£000	1999 £000
Fixed assets					
Other investments	16		153,017		183,049
Current assets					
Property assets	19	1,594		–	
Debtors:					
amounts falling due after more than one year	20	239,550		95,716	
amounts falling due within one year	20	543,497		781,434	
Cash at bank and in hand		3,089		4,529	
		787,730		881,679	
Creditors: amounts falling due within one year	22	(117,197)		(173,755)	
Net current assets			670,533		707,924
Total assets less current liabilities			823,550		890,973
Creditors: amounts falling due after more than one year (including convertible unsecured loan stock)	23		(543,958)		(572,973)
Net assets			279,592		318,000
Capital and reserves					
Called up share capital	26		8,874		9,827
Share premium account	27		161,955		161,936
Other reserves	27		1,545		591
Profit and loss account	27		107,218		145,646
Equity shareholders' funds			279,592		318,000

The financial statements were approved by the board of directors and signed on their behalf on 30th March 2001 by:

M. Barber
L. Coral

The notes on pages 45 to 57 form part of these financial statements.

Notes to the Financial Statements

for the year ended 25th December 2000

1. Accounting policies

The financial statements have been prepared in accordance with applicable UK accounting standards and, except for the non-depreciation of investment properties and the treatment of grants referred to below, with the Companies Act 1985. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties and investments, using the following principal accounting policies, which have been applied consistently:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Capital & Regional plc and its consolidated entities and associated companies and joint ventures for the year ended 25th December 2000. Where necessary, the financial statements of subsidiaries are adjusted to conform with the Group's accounting policies. Subsidiaries have been consolidated under the acquisition method of accounting and the results of companies acquired during the year are included from the date of acquisition. Goodwill on consolidation represents the difference between the purchase consideration and the fair value of net assets acquired and is capitalised in the year in which it arises and is amortised over its useful economic life.

Joint ventures, associates and joint arrangements

In accordance with Financial Reporting Standard No. 9, joint ventures are included in the accounts under the gross equity method of accounting, and associates under the net equity method. Where the Group has entered into a joint arrangement with a third party where no separate entity exists, the Group includes its proportion of assets, liabilities, income and expenditure within the Group figures. Where necessary the financial statements of associates and joint ventures are adjusted to conform with the Group's accounting policies.

Foreign currency

Balances in foreign undertakings and the results for the year are translated into sterling at the rate of exchange ruling at the balance sheet date of US$1.48 to the £ (1999: US$1.62 to the £).

Exchange differences, which arise from the translation of the share capital and reserves of foreign subsidiaries, are taken to reserves.

Foreign currency transactions of UK companies are translated at the rates ruling when they occurred. Their foreign currency monetary assets and liabilities are translated at the rate ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Depreciation

Depreciation is provided on all tangible fixed assets, other than investment properties and land, over their expected useful lives:

Buildings	– over 50 years, on a straight line basis.
Fixtures and fittings	– over three to five years, on a straight line basis.
Motor vehicles	– over four years, on a straight line basis.

Investment properties

Investment properties are included in the financial statements at valuation. The aggregate surplus or temporary deficit below cost arising from such valuations is transferred to a revaluation reserve. Deficits that are expected to be permanent are charged to the profit and loss account.

The Group's policy is to value investment properties twice a year. On realisation any gain or loss is calculated by reference to the carrying value at the last financial year end balance sheet date and is included in the profit and loss account. Any balance in the revaluation reserve is transferred to the profit and loss account reserve.

In accordance with SSAP19 (Revised) "Accounting for investment properties" no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years unexpired. The Companies Act 1985 requires all properties to be depreciated, but that requirement conflicts with the generally accepted principle set out in SSAP19 (Revised). Depreciation is only one of many factors reflected in the annual valuation of properties and the amount of depreciation or amortisation, which might otherwise have been charged, cannot be separately identified or quantified.

Properties under development

Interest and directly attributable internal and external costs incurred during the period of development are capitalised. Interest is capitalised gross before deduction of related tax relief. A property ceases to be treated as being under development when substantially all activities that are necessary to get the property ready for use are complete.

Refurbishment expenditure

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is written off as incurred.

Property transactions

Acquisitions and disposals are accounted for at the date of legal completion. Properties are transferred between categories at the estimated market value on the transfer date.

Current property assets

Properties held with the intention of disposal and properties held for development are valued at the lower of cost and net realisable value.

Investments

The investment in shares held in CenterPoint Properties Trust was included in the financial statements at market value at the balance sheet date translated at the exchange rate ruling at that date. Investments in other quoted securities are also stated at market value. The aggregate surplus or temporary deficit arising from such valuations is transferred to a revaluation reserve. Deficits that are expected to be permanent are charged to the profit and loss account.

Loan arrangement costs

Costs relating to the raising of general corporate loan facilities and loan stock are amortised over the estimated life of the loan and charged to the profit and loss account as part of the interest expense. The bank loans and loan stock are disclosed net of unamortised loan issue costs.

Operating leases

Annual rentals under operating leases are charged to the profit and loss account as incurred.

1. Accounting policies continued

Deferred taxation
Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Pension costs
Pension liabilities, all of which relate to defined contribution schemes, are charged to the profit and loss account in the year in which they accrue.

Grants
Grants received relating to the construction or redevelopment of investment properties have been deducted from the cost of the property. The Companies Act 1985 requires assets to be shown at their purchase price or construction cost and hence grants to be presented as deferred income. The departure from the requirements of the Act is, in the opinion of the directors, not material to the financial statements.

2. Segmental analysis
Turnover, profit on ordinary activities before taxation and net assets are attributable to property investment, development and management. Turnover, profit on ordinary activities before taxation and operations arise in the UK except £659,000 (1999: £1,184,000) of income from listed investments which originates from the US. Net assets adjusted for minority interests originating from the US are £nil (1999: £21,120,000).

3. Asset sales

	Fixed assets		Current assets		Total	
	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000
Net sale proceeds	26,674	18,640	35,353	31,874	62,027	50,514
Cost of sales	(4,273)	(15,135)	(35,047)	(30,228)	(39,320)	(45,363)
Historical cost profit	22,401	3,505	306	1,646	22,707	5,151
Revaluation surplus	(18,173)	(1,362)	–	–	(18,173)	(1,362)
	4,228	2,143	306	1,646	4,534	3,789
Permanent diminution in value of fixed property assets	(225)	–	–	–	(225)	–
Share of joint ventures (see note 17)	89	–	–	–	89	–
Profit recognised on sale of assets	4,092	2,143	306	1,646	4,398	3,789

4. Administrative expenses

	2000 £000	1999 £000
General administrative costs	6,429	5,779
Corporate and public company expenses	1,526	1,384
	7,955	7,163

5. Interest receivable and similar income

	2000 £000	1999 £000
Bank interest	167	237
Interest from joint ventures and associates	390	348
Other interest	224	119
	781	704
Share of joint ventures (see note 17)	43	12
Share of associates	–	3
	824	719

6. Interest payable and similar charges

	2000 £000	1999 £000
Bank loans and overdrafts wholly repayable within five years	42,823	32,998
Other loans	1,663	1,757
	44,486	34,755
Capitalised during year	(2,678)	(2,033)
	41,808	32,722
Share of joint ventures (see note 17)	859	251
Share of associates	–	32
	42,667	33,005

The interest relating to bank loans, overdrafts and other loans wholly repayable within five years included £nil (1999: £nil) in respect of loans repayable by instalments.

The interest charge includes £365,000 (1999: £463,000) of loan arrangement costs amortised during the year.

7. Profit on ordinary activities before taxation

	2000 £000	1999 £000
This is arrived at after charging:		
(Proftit)/loss on disposal of other fixed assets	(52)	92
Depreciation	567	479
Amortisation of short leasehold properties	173	–
Amortisation of goodwill	72	–
Auditors' remuneration (see below)	128	120
Directors' emoluments (see note 9)	1,593	2,195
Operating lease rentals for land and buildings	1,383	859
Surrender premiums received	(2,270)	(280)
The Group's auditors also charged the following amounts for the provision of non-audit services during the year:		
General taxation advice	98	108
Other	20	6
	118	114

The auditors' remuneration for the Group includes £7,500 (1999: £7,000) in respect of the parent company.

8. Employee information

The staff engaged directly in property management are employed by subsidiaries, which recharge their employment costs to the tenants of the shopping centres and properties owned by those companies. The aggregate payroll costs, excluding shopping centre and property specific employees, were as follows:

	2000 £000	1999 £000
Staff costs (including directors) consist of:		
Salaries	4,322	3,107
Discretionary bonuses	796	1,379
Total salaries	5,118	4,486
Social security costs	580	508
Other pension costs	245	199
	5,943	5,193

The average number of persons employed by the Group during the year was as follows:

	Average number of employees	
	During 2000	During 1999
Direct property services	33	19
Central management	79	63
	112	82

9. Directors' emoluments

	2000 £000	1999 £000
Emoluments of the highest paid director are as follows:		
Aggregate emoluments	227	358
Pension contributions to defined contribution scheme	41	40
	268	398
Total emoluments of all directors are as follows:		
Aggregate emoluments	1,373	2,019
Pension contributions to defined contribution schemes	198	176
	1,571	2,195

Company pension contributions to defined contribution schemes are being made in respect of six (1999: six) directors.

Details of directors' remuneration by director and details of their interests in the share capital of the Company are set out in the Report on Directors' Remuneration and Interests on pages 35 to 37.

10. Taxation

	2000 £000	1999 £000
UK corporation tax:		
Current period	(123)	139
Prior periods	30	(19)
Advance corporation tax	–	188
Share of tax of joint ventures (see note 17)	34	101
	(59)	409

The tax liability for the year has been reduced due to the benefit of capital allowances and the utilisation of losses brought forward.

11. Profit of the holding company

Of the profit for the year attributable to shareholders, a loss of £12,599,000 (1999: profit £111,107,000) has been dealt with in the accounts of the holding company and is made up as follows:

	2000 £000	1999 £000
Dividends from subsidiaries	22,074	121,632
Net operating costs including interest and tax	(34,673)	(10,525)
	(12,599)	111,107

The Company has taken advantage of the exemption provided by Section 230 of the Companies Act 1985 from presenting its own profit and loss account.

12. Equity dividends paid and payable

	2000 £000	1999 £000
Interim of 2.25p per share paid on 20th October 2000 (1999: 2.0p per share)	2,186	1,965
Proposed final of 3.25p per share payable on 6th June 2001 (1999: 3.0p per share)	2,884	2,948
	5,070	4,913

13. Earnings per share

Earnings per share have been calculated on the weighted average number of Ordinary shares of 10p each in issue during the year 97,042,630 (1999: 98,258,784) and have been based on profit on ordinary activities after taxation and minority interests of £13,027,000 (1999: £12,003,000).

Diluted earnings per share have been calculated after allowing for the exercise of share options which have met the required exercise conditions and the full conversion of the Convertible Unsecured Loan Stock, if the effect on earnings per share is dilutive. The weighted average number of Ordinary shares of 10p each is 97,256,996 (1999: 98,611,343) and the relevant earnings are £13,027,000 (1999: £12,003,000).

14. Property assets

	Investment properties		Properties under construction	
	Freehold properties £000	Leasehold properties £000	£000	Total £000
Group				
Cost or valuation:				
At beginning of year	557,874	345,743	29,523	933,140
Additions	36,625	9,321	17,275	63,221
Reclassified once construction completed	8,000	500	(8,500)	–
Reclassified as a joint venture	–	–	(38,534)	(38,534)
Reclassified as a current property asset	(650)	–	–	(650)
Amortisation of short leasehold properties	–	(173)	–	(173)
Permanent diminution in value of fixed property assets	(225)	–	–	(225)
Disposals	(1,123)	(127)	–	(1,250)
Revaluation	(21,633)	(12,451)	236	(33,848)
At end of year	578,868	342,813	–	921,681
The year end balance is analysed as follows:				
Historical cost	476,724	315,159	–	791,883
Revaluation surplus	102,144	27,654	–	129,798

A list of the valuers, and the basis of the valuations, are summarised in note 32.

	2000 £000
The year end balance for leasehold properties is analysed as follows:	
Leasehold with more than 50 years to run	336,753
Leasehold with between 20 and 50 years to run	2,210
Leasehold with less than 20 years to run	3,850
	342,813

The net book value of property assets includes £3,445,000 (1999: £2,256,000) in respect of capitalised interest.

15. Other fixed assets

	Long leasehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Group				
Cost or valuation				
At beginning of year	13,150	1,221	570	14,941
Additions	118	416	25	559
Disposals	–	(61)	(229)	(290)
Revaluation	512	–	–	512
At end of year	13,780	1,576	366	15,722
Depreciation				
At beginning of year	–	532	336	868
Provided for year	80	358	129	567
Disposals	–	(55)	(179)	(234)
At end of year	80	835	286	1,201
Net book values:				
At 25th December 2000	13,700	741	80	14,521
At 25th December 1999	13,150	689	234	14,073

The long leasehold land and buildings represents the Group's head office, which was independently valued on 25th December 2000. A list of the valuers, and the basis of the valuations, are summarised in note 32.

16. Other investments

	Group	Company
	Investment in CenterPoint Properties Trust £000	Shares in subsidiary and joint venture undertakings £000
Valuation		
At beginning of year	21,120	183,049
Additions	–	359
Disposals	(21,120)	–
Write down in value of investments	–	(30,391)
At end of year	–	153,017

During the year the Group sold its investment in CenterPoint Properties Trust. At 25th December 1999 the Group owned 4.9% of the common stock of CenterPoint Properties Trust, a Maryland real estate investment trust operating in Chicago, Illinois, USA. The stock is listed on the New York Stock Exchange.

A list of principal subsidiaries and joint venture undertakings is given in note 38.

17. Investment in joint ventures

	2000 £000	1999 £000
At beginning of year	2,222	2,267
Subscription for partnership capital and advances	18,050	–
Reclassification of net investment in joint arrangement	10,600	–
Dividends and capital distributions received	(180)	(300)
Share of results (see below)	(178)	310
Share of taxation (see below)	(34)	(101)
Share of property revaluation surplus	(814)	46
At end of year	29,666	2,222

17. Investment in joint ventures (continued)

	Xscape Milton Keynes Partnership £000	Capital Hill Partnership £000	Easter Holdings Ltd £000	Exchange Court Properties Ltd £000	Others £000	Total £000
Group share of results:						
Turnover	704	6	11,231	41	–	11,982
Operating profit	346	6	192	29	8	581
Interest receivable and similar income	22	–	13	–	8	43
Interest payable and similar charges	(665)	–	(111)	(83)	–	(859)
Profit on disposal of investment properties	–	–	-	–	89	89
Equity minority interests	–	–	(32)	–	–	(32)
Profit/(loss) before tax	(297)	6	62	(54)	105	(178)
Taxation	–	–	(32)	–	(2)	(34)
Profit/(loss) after tax	(297)	6	30	(54)	103	(212)
Group share of:						
Investment properties	39,250	17,500	2,085	–	–	58,835
Development properties at cost	-	-	2,645	1,721	86	4,452
Other current assets	2,076	285	2,035	100	147	4,643
Gross assets	41,326	17,785	6,765	1,821	233	67,930
Current liabilities	8,776	222	1,366	68	17	10,449
Loans	22,569	–	4,257	989	–	27,815
Gross liabilities	31,345	222	5,623	1,057	17	38,264
Share of net assets	9,981	17,563	1,142	764	216	29,666
Effective Group share	50%	50%	50%	50%	37.5% to 50%	
Potential recourse to the Group	Nil	Nil	Nil	Nil	Nil	
Actual recourse at end of year	Nil	Nil	Nil	Nil	Nil	

A list of valuers and the basis of the valuation are summarised in note 32.

The joint ventures all operate in the UK.

18. Investment in associates

	2000 £000	1999 £000
At beginning of year	5	3,446
Share of results	–	71
Share of profit on disposal of investment properties eliminated on consolidation	–	31
Dividends received	(5)	(714)
Capital distributions received	–	(2,829)
At end of year	–	5

The associate, The Easter Industrial Partnership, operated in the UK and was dissolved during the year.

19. Current property assets

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Properties held for disposal	7,625	31,178	–	–
Properties under development	11,221	3,482	1,594	–
	18,846	34,660	1,594	–

The net book value of current property assets includes £nil (1999: £68,000) in respect of capitalised interest.

20. Debtors

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Amounts falling due after more than one year				
Amounts owed by subsidiaries	–	–	239,550	90,876
Amounts owed by joint ventures	–	4,840	–	4,840
	–	4,840	239,550	95,716
Amounts falling due within one year				
Trade debtors	16,645	14,988	32	34
Amounts owed by subsidiaries	–	–	518,039	658,569
Amounts owed by joint ventures	4,873	–	4,873	–
Other debtors	2,989	6,042	540	14
Tax recoverable	255	325	–	419
Prepayments and accrued income	15,938	19,034	20,013	122,398
	40,700	40,389	543,497	781,434

21. Cash at bank and in hand

Cash at bank includes £122,000 (1999: £127,000) specifically held as security deposits and retained in rent accounts and not freely available to the Group for day to day commercial purposes.

22. Creditors: amounts falling due within one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loans (secured)	57,999	3,180	44,889	(141)
Amounts owed by subsidiaries	–	–	51,982	164,272
Trade creditors	7,802	5,929	172	35
Other creditors	11,746	1,281	10,166	114
Taxation and social security	2,903	1,443	–	–
Corporation tax	3,715	475	–	–
Accruals and deferred income	41,690	42,922	7,104	6,527
Proposed dividends	2,884	2,948	2,884	2,948
	128,739	58,178	117,197	173,755

23. Creditors: amounts falling due after more than one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loans (secured) (see note 24)	532,359	574,620	519,735	548,841
Convertible loan stock (unsecured) (see note 25)	24,223	24,132	24,223	24,132
	556,582	598,752	543,958	572,973

24. Bank loans

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Aggregate amount repayable:				
Between one and two years	86	65,529	128	52,522
Between two and five years	523,473	487,319	510,807	487,319
Greater than five years	8,800	21,772	8,800	9,000
Loans due after more than one year	532,359	574,620	519,735	548,841
Loans due in one year or less or on demand	58,090	3,271	44,980	(50)
Total loans	590,449	577,891	564,715	548,791

Bank loans are secured on properties valued at £910,341,000.

Bank loans are stated net of unamortised issue expenses totalling £501,000 (1999: £458,000).

The following information has been produced in order to comply with Financial Reporting Standard No. 13. A more detailed analysis is given in the Finance Review on pages 32 and 33.

The Group's interest rate profile is after taking account of the effect of swaps, as follows:

	Total £000	Weighted average interest rate	Weighted average period-years
Fixed and swapped loans	244,392	7.6%	1.88
Variable rate loans	371,200	6.9%	n/a
	615,592	7.2%	

Variable rate loan interest rates are based on three month LIBOR.

The table below shows the market value of fixed rate debt instruments, and reflects the difference between the interest rate yield curve as at 25th December 2000 and the rate historically committed; namely the fair value adjustment.

	Book value £000	Notional value £000	Fair value £000	Fair value adjustment 2000 £000	Fair value adjustment 1999 £000
Convertible unsecured loan stock	24,642	n/a	24,642	–	–
Bank borrowings	15,250	n/a	15,574	(324)	(76)
Interest rate swaps	n/a	204,500	207,664	(3,164)	1,546
	39,892	204,500	247,880	(3,488)	1,470

Interest rate swaps and bank fixed rates have been valued on a replacement basis. They have been valued against the offered side of the zero coupon yield curve commencing on 25th December 2000 and ending on the contracted expiry dates.

Undrawn loan facilities as at 25th December 2000 are as follows:

	£000
Loans due to be repaid in:	
Less than one year	–
Between one and two years	3,750
Between two and five years	6,500
	10,250

Financial assets
The fair value adjustment to financial assets and liabilities is, in the opinion of the directors, not material to the balance sheet.

Currency profile
All monetary assets and liabilities are denominated in sterling.

25. Convertible subordinated unsecured loan stock

	Group and Company	
	2000 £000	1999 £000
Convertible loan stock	24,642	24,642
Unamortised loan issue costs due after one year	(419)	(510)
	24,223	24,132
Unamortised loan issue costs due within one year	(91)	(91)
	24,132	24,041

The Convertible Subordinated Unsecured Loan Stock ("CULS") may be converted by the holders of the stock into 50.37 Ordinary shares per £100 nominal value CULS in any of the years 1997 to 2015 inclusive, representing a conversion price of 199p per Ordinary share. The Company has the right to redeem at par the CULS in any year from 2006 to 2016. The CULS are unsecured and are subordinated to all other forms of unsecured debt but rank in priority to the holders of the Ordinary shares in the Company. The CULS carry interest at an annual rate of 6.75%, payable in arrears on 30th June and 31st December in each year.

In accordance with Financial Reporting Standard No. 4 "Capital Instruments", the CULS are shown net of its unamortised loan issue costs.

26. Called up share capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2000 Number	1999 Number	2000 £000	1999 £000
Ordinary shares of 10p each				
At beginning of year	98,265,697	98,255,271	9,827	9,826
Issued on exercise of share options	10,426	10,426	1	1
Shares purchased and cancelled	(9,541,500)	–	(954)	–
At end of year	88,734,623	98,265,697	8,874	9,827

	Authorised	
	2000	1999
Ordinary shares of 10p each	150,000,000	150,000,000

There have been no changes to the number of shares in issue since the year end.

The options to subscribe for new Ordinary shares of 10p each under the share option schemes that were outstanding at 25th December 2000 are as follows:

	25th December 2000	
	Number of shares	Subscription price
Period within which options are exercisable:		
22nd December 1996 to 22nd December 2003	460,814	168.9p
28th October 1997 to 28th October 2004	349,281	131.4p
13th April 1998 to 13th April 2005	10,426	132.4p
21st October 1999 to 21st October 2006	161,606	193.2p
18th June 2000 to 18th June 2004	706,632	226.4p
18th June 2000 to 18th June 2007	105,208	226.4p
15th May 2001 to 15th May 2008*	1,122,500	279.5p
22nd May 2001 to 22nd May 2008*	62,350	286.5p
28th September 2001 to 28th September 2008*	25,000	196.5p
23rd February 2002 to 23rd February 2009*	612,900	191.5p
22nd February 2003 to 22nd February 2010*	190,000	201.5p
13th September 2003 to 13th September 2010*	355,000	211.5p
	4,161,717	

* Only exercisable if conditions relating to growth in net asset per share and total return for shareholders are met.

27. Reserves

	Share premium account £000	Property revaluation reserve £000 (Revaluation reserves)	Investment revaluation reserve £000 (Revaluation reserves)	Capital redemption reserve £000 (Other reserves)	Profit and loss account £000
Group					
At beginning of year	161,876	166,737	18,099	591	35,436
Issue of share capital	19	–	–	–	–
Shares purchased and cancelled	–	–	–	954	(20,759)
Group share of revaluation deficit of investment properties	–	(33,361)	–	–	–
Group share of revaluation surplus of other fixed assets	–	512	–	–	–
Share of unrealised revaluation deficit in joint ventures	–	(814)	–	–	–
Realisation of surplus on disposal of investment properties	–	(74)	–	–	74
Realisation of surplus on disposal of investment properties in joint ventures	–	(40)	–	–	40
Realisation of surplus on disposal of other investment	–		(18,099)	–	18,099
Share of tax on revaluation surpluses crystallised in year	–	–	–	–	(3,614)
Deferred tax provided on revaluation surpluses	–	(2,952)	–	–	–
Retained profit for the year	–	–	–	–	7,957
Exchange differences	–	–	–	–	3
At end of year	161,895	130,008	–	1,545	37,236
Group's share of post acquisition reserves of joint ventures					
At beginning of year		197			851
Reclassification of joint arrangement balance		6,512			(10)
Realisation of surplus on disposal of investment properties in joint ventures		(40)			40
Movement in year		(814)			(392)
At end of year		5,855			489
Company					
At beginning of year	161,936			591	145,646
Loss for year attributable to shareholders	–			–	(12,599)
Equity dividends paid and payable	–			–	(5,070)
Issue of share capital	19			–	–
Shares purchased and cancelled	–			954	(20,759)
At end of year	161,955			1,545	107,218

28. Equity minority interests

	Profit and loss 2000 £000	Balance sheet 2000 £000	Profit and loss 1999 £000	Balance sheet 1999 £000
Share of net assets attributable to minority shareholders:				
At beginning of year	–	4,341	–	2,101
Share of results	359	359	381	381
Share of joint ventures (see note 17)	32	–	45	–
Share of tax on revaluation surpluses crystallised in year	–	(511)	–	–
Share of movements in revaluation reserve	–	(487)	–	1,946
Purchase of minority interests in subsidiary	–	(28)	–	–
Dividends paid to minority interests	–	–	–	(87)
At end of year	391	3,674	426	4,341

Minority interests relate to participation in the net equity of subsidiary companies.

29. Non-equity funding by joint arrangement partners

Represented the additional non-equity funding in the 50:50 joint arrangement, named Xscape Milton Keynes Partnership, by funds managed by PRICOA Property Investment Management Limited. During the year the Xscape Milton Keynes Partnership was reclassified as a joint venture.

30. Net assets per share

Net assets per share have been calculated on Ordinary shares of 10p each 88,734,623 (1999: 98,265,697) in issue at the year end and have been based on net assets attributable to shareholders of £339,558,000 (1999: £392,566,000).

Diluted net assets per share assume that all the CULS had converted at the balance sheet date. Diluted net assets per share have been calculated on 101,146,794 (1999: 110,677,868) Ordinary shares of 10p each and have been based on adjusted net assets attributable to shareholders of £363,690,000 (1999: £416,607,000) by adding the £24,132,000 (1999: £24,041,000) balance sheet value of CULS (see note 25).

31. Provision for liabilities and charges

Deferred taxation

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	Provided 2000 £000	Provided 1999 £000	Not provided 2000 £000	Not provided 1999 £000
Tax on capital gains if investment assets were sold at their current valuation	2,952	–	24,356	45,347
Accelerated capital allowances	–	–	10,442	6,818
	2,952	–	34,798	52,165

If a provision was made for deferred taxation that has not been provided it would have an adverse effect on net assets per share of 39.2p (1999: 53.1p) and on fully diluted net assets per share of 34.4p (1999: 47.1p).

32. Valuations

The properties were valued at 25th December 2000, as follows:

	Valuer	Basis of valuation	£000
Group properties:	DTZ Debenham Tie Leung	Open market value	702,730
	Insignia Richard Ellis Limited	Open market value	34,790
	Directors	Net sale proceeds of properties sold after 25th December 2000	183,941
	Directors	Open market value	220
Total fixed property assets			921,681
Other fixed assets	DTZ Debenham Tie Leung	Open market value	13,700
Total property assets			935,381

	Valuer	Basis of valuation	£000
Properties held by joint ventures:			
Xscape Milton Keynes Partnership	DTZ Debenham Tie Leung	Open market value	78,500
The Capital Hill Partnership	DTZ Debenham Tie Leung	Open market value	35,000
Easter Holdings Limited	Easter Holdings Limited	Open market value	4,170
			117,670

Valuations are at open market value as defined in the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

33. Contingent liabilities and guarantees

At 25th December 2000, the Company or the Group had given guarantees in respect of:

– the performance of certain subsidiaries in respect of their involvement in joint ventures;

– rental and grant repayment obligations of certain joint ventures.

No security has been provided against any of these guarantees.

Recourse to the Group in respect of guarantees of the bank loans of joint ventures and associates not included in the consolidated balance sheet is set out in notes 17 and 18.

34. Future commitments

	2000 £000	1999 £000
Capital expenditure commitments: Contracted, but not provided for	17,589	14,839
Revenue expenditure commitments: Commitments for 2001 in respect of operating leases for land and buildings which expire: In five years or more	1,333	1,272

35. Notes to the cash flow statement

(a) Net cash inflow from operating activities

	2000 £000	1999 £000
Group operating profit	49,870	40,950
Profit on the sale of the trading and development properties	(306)	(1,646)
	49,564	39,304
Depreciation of other fixed assets	567	479
Amortisation of short leasehold properties	173	–
Amortisation of goodwill arising on acquisition of minority interests	72	–
(Profit)/loss on disposal of fixed assets	(52)	92
Increase in trade debtors, other debtors and prepayments	(5,717)	(6,183)
Increase in trade creditors, other creditors, taxation and social security and accruals	10,070	8,577
Net cash inflow from operating activities	54,677	42,269

(b) Reconciliation of net cash flow movement in net debt

	2000 £000	1999 £000
(Decrease)/increase in cash in year	(1,297)	1,912
Cash inflow from increase in debt financing	(35,169)	(236,924)
Change in net debt resulting from cash flows	(36,466)	(235,012)
Reclassification of debt in joint arrangement	22,568	–
Net debt at beginning of year	(595,603)	(360,591)
Net debt at end of year	(609,501)	(595,603)

(c) Analysis of net debt

	At 25th December 1999 £000	Cash flows £000	Other non- cash changes £000	At 25th December 2000 £000
Cash in hand and at bank	7,388	(1,297)	–	6,091
Debt due within one year	(3,521)	–	(54,830)	(58,351)
Debt due after one year	(599,470)	(35,169)	77,398	(557,241)
Total	(595,603)	(36,466)	22,568	(609,501)

36. Related party transactions

The Group's principal transactions with related parties, as defined by Financial Reporting Standard No. 8, are summarised below:

Joint ventures and associates

Details of the Group's principal joint ventures and associates, including recourse to the Group in respect of external borrowings, are set out in notes 17 and 18.

The Group has provided a £5,000,000 loan facility to Easter Holdings Ltd which was repayable on or before 1st January 2001. At 25th December 2000 the loan outstanding was £4,496,000 (1999: £4,840,000). Interest was charged on this facility at rates ranging between 8.5% and 9.0% during the year. The interest receivable for the year is £373,000 (1999: £348,000). The Group was charged £865,000 (1999: £509,000) by a subsidiary of Easter Holdings Ltd in respect of property acquisition and management fees during the year, and £96,000 (1999: £248,000) in respect of project management fees.

The Group has provided a £377,000 loan facility to Exchange Court Properties Ltd, which is repayable on demand. At 25th December 2000 the loan outstanding was £377,000 (1999: £nil). Interest was charged on this facility at rates ranging between 8.5% and 9.0% during the year. The interest receivable for the year is £17,000 (1999: £nil).

Other related party transactions

During 2000 the Group purchased Andrew Lewis-Pratt's minority shareholding in Capital and Lanham Retail Parks (Wolverhampton) Limited for a total consideration of £67,000. The net asset value of the shares at the date of acquisition was £18,000. Andrew Lewis-Pratt was only beneficially interested in £28,000 of the £67,000 total consideration.

During 2000 the Group was in a partnership arrangement with funds managed by Pricoa Property Investment Management Limited of which Martin Barber is non-executive chairman.

During 2000 Cine UK Limited leased two of the Group's properties and had entered into agreements for lease at two other Group properties on normal commercial terms. Viscount Chandos is a director and shareholder of Cine UK Limited. Martin Barber is a shareholder of Cine UK.

David Cherry is a former Senior Partner and currently a consultant to the firm Donaldsons, which has continued to act during 2000 as one of the Group's property advisers and as such has received fees for its services on normal professional terms.

37. Post balance sheet events

On 9th February 2001 the Group sold St Andrew House, Glasgow for a total consideration of £19,950,000
On 12th February 2001 the Group sold a portfolio of industrial properties for a total consideration of £91,076,000
On 12th February 2001 the Group sold Westway Cross Shopping Park, Greenford for a total consideration of £43,750,000
On 29th February 2001 the Group sold Unit E, Hylton Riverside for a total consideration of £650,000
On 14th March 2001 the Group transferred the Sauchiehall Shopping Centre into a joint venture with Stannifer for a total consideration of £31,000,000

The effect of the above transactions on the Group balance sheet as at 25th December 2000 is as follows:

	25th December 2000 £000	Effect of above transactions £000	Pro forma £000
Fixed assets			
Property assets	921,681	(183,941)	737,740
Other fixed assets	14,521	–	14,521
Investment in joint ventures	29,666	2,100	31,766
	965,868	(181,841)	784,027
Current assets	65,637	–	65,637
Creditors: amounts falling due within one year	(128,739)	35,000	(93,739)
Net current liabilities	(63,102)	35,000	(28,102)
Total assets less current liabilities	902,766	(146,841)	755,925
Creditors: amounts falling due after one year	(556,582)	146,841	(409,741)
Provision for liabilities and charges	(2,952)	–	(2,952)
Net assets	343,232	–	343,232
Net debt	609,501	(181,841)	427,660
Gearing ratios:			
– including convertible unsecured loan stock	177.6%		124.6%
– excluding convertible unsecured loan stock	170.4%		117.4%
– assuming conversion of convertible unsecured loan stock	159.2%		109.7%

38. Subsidiary, joint arrangement entities, joint venture and associated undertakings at 25th December 2000

Principal subsidiaries, joint arrangement entities, joint ventures and associated companies	Nature of property business	Group effective share of business
Capital & Regional Investments Limited **	Investment and management	100%
Capital & Regional Shopping Centres Limited **	Investment and management	100%
Capital & Lanham Retail Parks Limited **	Investment and management	100%
The Howgate Shopping Centre Limited *	Investment and management	100%
Capital & Regional (Pallasades Two) Limited	Investment and management	100%
Capital & Regional (Sauchiehall) Limited	Investment and management	100%
Capital & Regional (Westway Cross) Limited	Investment and management	100%
Ashley Centre GP Limited	Investment and management	100%
Ashley Centre Limited Partnership	Investment and management	100%
Capital & Regional Retail (Northern) Limited **	Investment and management	100%
Exchange Court Properties Limited *	Development and trading	50%
Capital & Regional Estates Limited **	Development and trading	100%
Lancaster Shelf Eleven Limited *	Development and trading	100%
Capital & Regional (Milton Keynes) Limited	Investment and management	100%
Xscape Milton Keynes Partnership	Investment and management	50%
St. Andrews House (Glasgow) Limited *	Investment and management	100%
Capital & Regional Property Management Limited	Management	100%
Capital & Regional (Out-of-town) Ashford Limited	Development and trading	100%
Capital & Regional (Victoria) Limited	Investment and management	100%
Cosmorole Limited	Investment and management	100%
R Green (Brighton) Limited	Investment and management	100%
Capital & Regional (Sunderland) Limited	Investment and management	100%
Jearon Properties Limited	Investment and management	100%
Capital & Regional (Holm Street) Limited	Investment and management	100%
Capital & Lanham Construction (Coventry) Limited	Development and trading	100%
Capital & Lanham Developments (Cannock) Limited *	Development and trading	100%
Capital & Regional (Oldbury) Limited	Development and trading	100%
Capital & Regional (Yeovil) Limited	Development and trading	100%
Xscape Limited	Investment and holding	100%
Xscape Snozone Limited	Trading	100%
Capital & Regional (Stratford) Limited	Investment and holding	100%
Capital Hill Partnership	Investment and management	50%
Realcap Management Limited	Investment and management	100%
Realcap Investments Limited	Investment and management	100%
Capital Properties Partnership	Investment and management	50%
Applied Solutions (Projects) Limited	Project Management	50%
Capital and Lanham Retail Parks (Wolverhampton) Ltd	Development	100%
Easter Capital Investment Holdings Limited	Investment and holding	75%
Easter Capital Limited	Investment and management	75%
Easter Properties (North East) Limited	Investment and management	75%
Twelve Quays Limited	Investment and management	75%
Twelve Quays One Limited	Investment and management	75%
Easter Capital Investments (Nottingham) Limited	Investment and management	75%
Netherton Developments Limited	Development	37.5%
Easter Holdings Limited	Development and trading	50%

The subsidiary and joint ventures companies are registered in England and Wales, and Scotland. Except as identified these operate in England and Wales. Investment in joint ventures and associates are dealt with in notes 17 and 18.

The company has taken advantage of S231(5) and (6) Companies Act 1985 in not listing all of its subsidiary and joint venture undertakings. All of the above principal subsidiaries and joint ventures have been consolidated in the Group Financial Statements. All voting rights are in line with effective share of business.

*Operates in Scotland
** Operates in England and Wales, and Scotland

Directors' Report
for the year ended 25th December 2000

The directors present their report together with the audited financial statements for the year ended 25th December 2000.

Results and proposed dividends
The consolidated profit and loss account is set out on page 40 and shows a profit on ordinary activities after taxation of £13.4m.

The directors recommend the payment of a final dividend of 3.25p per Ordinary share on 6th June 2001, to members on the register at the close of business on 30th March 2001, which together with an interim dividend of 2.25p per Ordinary share, paid in 2000, makes a total of 5.50p for the year.

Principal activities, trading review and future developments
The principal activity of the Group is that of property investment, development and management. A review of the activities and prospects of the Group is given in the Chairman and Chief Executive's Statement and operating reviews on pages 2 to 25.

Directors
The directors of the Company at 25th December 2000, all of whom have been directors for the whole of the year, are as follows:

M. Barber, R. Boyland, Viscount Chandos, D. Cherry, L. Coral, P. Duffy, K. Ford, M. Gruselle, A. Lewis-Pratt and X. Pullen.

In accordance with the Articles of Association, M. Barber (who is the chief executive and a member of the Nomination Committee), R. Boyland, T. Chandos (who is the chairman and a member of the Remuneration and Nomination Committees) and P. Duffy (who is a member of the Audit and Nomination Committees) retire by rotation and, being eligible, offer themselves for re-appointment. M. Barber and R. Boyland have service contracts, which require notice of one year. T. Chandos has served as a non-executive director since 1993 and the Board have renewed his letter of appointment for a further three years with effect from 1st January 2000. Under the terms of the letter he is required to vacate office without compensation if not re-appointed by shareholders on retirement by rotation. P. Duffy has served as a non-executive director since 1995 and has a letter of appointment for a period of three years expiring on 26th May 2001, which the Board will renew from that date. Under the terms of the letter he is required to vacate office without compensation if not re-appointed by shareholders on retirement by rotation. Biographies of the directors of the Company are set out on pages 28 and 29.

The Company maintains insurance for the directors in respect of liabilities arising from the performance of their duties.

Directors' interests
The directors and, where relevant, their connected persons (within the meaning of Section 346 of the Companies Act 1985) are interested in 4,891,826 issued shares representing 5.51% of the issued Ordinary share capital of the Company as detailed in the Report on Directors' Remuneration and Interests on pages 35 to 37.

Save as set out in note 36 to the accounts there were no contracts of significance subsisting during or at the end of the year in which a director of the Company was materially interested.

Share options
Details of options to subscribe for new Ordinary shares of 10p each under the Executive Share Option Schemes and the Discretionary Share Option Schemes 1998 are set out in note 26 to the accounts.

Details of options granted to the directors, under the same Schemes, are contained in the Report on Directors' Remuneration and Interests on pages 35 to 37.

Substantial shareholdings
In addition to the interests of the directors, the Company has been notified pursuant to Sections 198 to 202 of the Companies Act 1985, as amended, of the following notifiable interests in its issued share capital as at 28th March 2001:

	Shares	%
UBS Asset Management	10,265,834	11.57
Legal & General	6,648,601	7.49
Trefick Limited	6,560,403	7.39
Morley Fund Management	5,162,163	5.82
Royal & Sun Alliance	5,024,622	5.66
United Nations Pension Fund	3,963,120	4.47
Barclays Global Investors	2,924,287	3.30
Total	40,549,030	45.70

Change of company name
On 10th May 2000, the Company changed its name from "Capital and Regional Properties plc" to "Capital & Regional plc" following the special resolution passed at the Annual General Meeting on 5th May 2000.

Charitable donations
During the year the Group contributed £2,250 (1999: £7,812) to UK charities.

Payment of suppliers
The policy of the Company is to settle supplier invoices within the terms of trade agreed with individual suppliers. Where no specific terms have been agreed payment is usually made within one month of receipt of the goods or service. At the year end the Company had an average of 29 days (1999: 20 days) purchases outstanding.

Compliance with combined code
A statement on Corporate Governance is set out on pages 38 to 39.

Employee involvement
The Group places considerable value upon the involvement of its employees, at all levels, in its affairs and has continued its practice of keeping them regularly and systematically informed on matters of concern affecting them as employees and on the financial and economic factors affecting the Group's performance. Consultations with them or their representatives take place on a regular basis so that their views can be taken into account when decisions are made which are likely to affect their interests. This is achieved by regular meetings between management and employees at all levels.

Disabled employees
The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Stakeholder pensions
As a result of the Government's introduction of Stakeholder Pensions which are available from April 2001, employers must provide their employees with access to a Stakeholder Pension scheme. The Company has appointed consultants who have put such a scheme in place and the Company has also nominated a Stakeholder Pension provider. Employees will have access to join this scheme from May 2001.

Euro
The Group is continuing to review the potential effect of the introduction of the single European currency on the administration of its business.

Environmental policy
The Company is committed to delivering the highest standards of environmental policy implementation in the management of its retail and leisure property portfolio. The Company consults employees, shareholders, suppliers and customers alike in order to maintain high standards. The Company strives to achieve compliance with current legislation, particularly in the areas of energy and its efficient use and impact on the environment, and water including water management and minimisation of use.

The Company also endeavours to include environmental considerations in the design and refurbishment of properties, applying and installing wherever practicable current best practice technology.

The Company is committed to continuous monitoring and feedback in order to adopt a responsible and positive approach to environmental issues.

Dividend reinvestment plan
The Company introduced, for the 1999 Interim Dividend, and for subsequent dividends, a service whereby shareholders can use their cash dividends to buy more shares in the Company. The Plan was introduced for those shareholders preferring capital appreciation rather than income from their shareholding.

The timetable for the 2001 Final Dividend is set out on the inside back cover. A copy of the circular setting out terms and conditions of the Dividend Reinvestment Plan (published in July 1999) can be obtained by contacting the Company Secretary at the registered office.

Post balance sheet events
Post balance sheet events are set out in note 37 to the accounts.

Auditors
Deloitte & Touche have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Special business of the Annual General Meeting

Pre-emption rights
Shares allotted for cash must normally first be offered to shareholders in proportion to their existing shareholdings. Under resolution 8, which is proposed as a special resolution, the directors seek to renew their annual authority to allot shares for cash as if the pre-emption rights contained in Section 89(1) of the Companies Act 1985 did not apply up to a maximum of 5% of the Company's issued share capital.

By Order of the Board

Falguni Desai

F. Desai, Secretary
30th March 2001

Notice of the Annual General Meeting

Notice is hereby given that the twenty-second Annual General Meeting of the Company will be held at The Goring Hotel, 15 Beeston Place, Grosvenor Gardens, London SW1W 0JW on 25th May 2001 at 10:00 am for the following purposes.

Ordinary business

1. To consider and, if thought fit, adopt the accounts for the year ended 25th December 2000, and the reports of the directors and auditors thereon.
2. To declare a final dividend of 3.25p per Ordinary share.
3. To re-appoint M. Barber as a director of the Company.
4. To re-appoint R. Boyland as a director of the Company.
5. To re-appoint T. Chandos as a director of the Company.
6. To re-appoint P. Duffy as a director of the Company.
7. To appoint Deloitte & Touche as auditors for the period prescribed by Section 385(2) of the Companies Act 1985 and to authorise the directors to determine their remuneration for the ensuing year.

Special business

8. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

That:

(a) the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash, in accordance with any authority conferred on them by any previous meeting of the members of the Company as if Section 89(1) of that Act did not apply to the allotment; and reference in this resolution to the allotment of equity securities includes reference to the grant of a right to subscribe for, or to convert any securities into, relevant shares (as so defined) in the Company; provided that the power conferred by the resolution shall be limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of holders of Ordinary shares of 10p each in the Company (notwithstanding that, by reason of such exclusion as the directors may deem necessary having regard to legal or procedural requirements in any overseas territory, or in connection with fractional entitlements or otherwise howsoever, the equity securities to be issued are not offered to all of such holders in proportion to the number of shares held by each of them); and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) of this resolution) of equity securities up to an aggregate amount in nominal value equal to 5% of the issued Ordinary share capital of the Company immediately prior to the passing of this resolution; and

(b) this power, unless renewed, shall expire at the Company's Annual General Meeting in 2002 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted in accordance with paragraph (a) of this resolution after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

Falguni Desai

F. Desai, Secretary
30th March 2001

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, upon a poll, vote on his/her behalf. A proxy need not be a member of the Company. The Form of Proxy for use by shareholders is enclosed.

2. To be valid, the Form of Proxy, duly executed, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority) must be received at the offices of the Company's Registrars, Lloyds TSB Registrars, 117 Dundas Street, Edinburgh, EH3 5ED not later than 10:00 am on 23rd May 2001.

Advisers and Corporate Information

Auditors
Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Investment bankers
Credit Suisse First Boston
1 Cabot Square
Canary Wharf
London E14 4QJ

UBS Warburg
2 Finsbury Avenue
London EC2M 2PA

Principal legal advisers
D J Freeman
43 Fetter Lane
London EC4A 1JU

Olswang
90 Long Acre
London WC2E 9TT

Fladgate Fielder
25 North Row
London W1R 1DJ

Cole & Co.
St Andrew House
141 West Nile Street
Glasgow G1 2RN

Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA

Lending banks
Bank of Scotland
The Mound
Edinburgh EH1 1YZ

Barclays Bank PLC
Luton Corporate Banking Centre
Eagle Point
1 Capability Green
Luton LU1 3US

BHF–Bank
61 Queen Street
London EC4R 1AF

Fortis Bank SA/NV
Camomile Court
23 Camomile Street
London EC3A 7PP

Halifax PLC
33 Old Broad Street
London EC2N 1HZ

HSBC Bank plc
Poultry
London EC2P 2BX

HypoVereinsbank
110 Cannon Street
London EC4N 6EW

Royal Bank of Scotland plc
135 Bishopsgate
London EC2N 3UR

Principal valuers
DTZ Debenham Tie Leung
One Curzon Street
London W1A 5PZ

Registrars and transfer office
Lloyds TSB Registrars
117 Dundas Street
Edinburgh EH3 5ED

Registered office
10 Lower Grosvenor Place
London SW1W 0EN
Telephone: 020 7932 8000
Facsimile: 020 7802 5600
www.capreg.com

Registered number
1399411

2001 Financial Calendar

2001 Financial Calendar
Annual General Meeting – 25th May
Final dividend record date – 30th March
Final dividend payment – 6th June
Interim results – 11th September
Interim dividend – October/November
2001 Preliminary results announcement – February/March 2002

2001 Final Dividend timetable
Record date – 30th March
Last day to receive DRIP mandates – 15th May
Dividend warrants posted – 5th June
Payment date/shares purchased – 6th June
Certifcates/purchase statements despatched – 19th June
CREST accounts credited – 20th June

Designed and produced by Radley Yeldar (London)
Photography by George Brooks, photograph on page 8 by Mark Bourgeois,
Head of Asset Management, Capital & Regional plc.

Capital & Regional plc
10 Lower Grosvenor Place, London SW1W 0EN
T: 020 7932 8000 F: 020 7802 5600
www.capreg.com