Capital & Regional plc
Annual Report 2001

Capital & Regional plc is a co-investing real estate asset manager. The Group has established highly specialised management teams in selected sectors with the aim that each team should be the leader in its field, enabling them to create value for tenants, shareholders and investors in funds managed by the Group.

The Group has taken a significant step towards becoming a co-investing real estate asset manager, rather than an investor reliant predominantly on its own balance sheet.

Strategy Through the creation of two funds, The Mall, a £670m fund focused on in-town, covered shopping centres, and The Junction, a £340m fund focused on major retail parks, the Group has taken a significant step towards becoming a co-investing real estate asset manager, rather than an investor reliant predominantly on its own balance sheet.

The Group has, in recent years, been building up highly specialised management teams in selected sectors, with the aim that each team should be the leader in its field, enabling them to create value for tenants, the Group's shareholders and investors in funds managed by the Group.

The successful launch of the Mall and Junction funds confirms the direction that the Group has taken. The initial investors in the funds are the Group and clients of Morley Fund Management Limited, the UK based asset management arm of CGNU. Our objective is a significant expansion of both funds, through new investors contributing either cash or appropriate property assets.

As the completion of both of these funds took place after the year end, your attention is drawn to the proforma balance sheet detailed in note 32 to the Financial Statements. A condensed summary is set out below.

	Proforma Dec 2001 £m	Actual Dec 2001 £m
Property assets	82	717
Investments in joint ventures:		
Share of assets	612	91
Share of liabilities	(322)	(62)
	290	29
Other net liabilities	(64)	(433)
Convertible loan stock	(24)	(24)
Net assets	284	289

Return of capital The Group announced on 25th January 2002 that, following the completion of The Mall Fund, it intended to return £50m of capital to shareholders. An announcement was made on 22nd March 2002 of a Tender Offer to buy back up to 22.2% of the Company's shares at 285p per Ordinary share subject to shareholder approval. This approval will be sought at an Extraordinary General Meeting to be held on 18th April 2002.

Financial results and position Profit before tax of £11.4m (2000 (restated): £14.2m) includes gains of £1.4m on investment sales (2000: £4.1m). Earnings per share on revenue activities have increased by 31% to 12.4p from 9.5p (restated) in the previous year. The table below demonstrates how the effect of new accounting requirements (UITF 28 – Operating Lease Incentives) reduces profit in the year by £1.7m compared to last year.

	2001 £000	2000 £000
Revenue profit	10,767	9,267
UITF 28 effect	(843)	809
Revenue profit restated	9,924	10,076
Profit on sale of investment properties and investments	1,439	4,092
Profit before tax	11,363	14,168

The directors have resolved to pay a final dividend of 3.5p, making a total for the year of 6.0p per share, an increase of 9% (2000: 5.5p). The dividend will be paid on 31st May 2002 to shareholders on the register at the close of business on 5th April 2002. Our facility for dividend reinvestment by shareholders continues.

Financial 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 parametres, 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.

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 2001 applied to borrowings of £198.6m (2000: £244.4m) with the balance of £267.1m (2000: £371.2m) being at variable interest rates based on three month LIBOR. The weighted average interest rate cost for fixed and swapped borrowings at 25th December 2001, was 7.5% (2000: 7.6%) and for variable rates 5.4% (2000: 6.9%).

The weighted average interest rate cost of total borrowings at the year end has reduced to 6.3% compared to 7.2% at the end of 2000. The weighted average period for which interest rates are fixed on Group bank borrowings is 1.16 years (2000: 1.88 years) and 2.8 years including CULS (2000: 3.22 years).

Set out below is 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.

	2001 pence	2000 pence
Diluted net assets per share	343.3	360.6
Deferred tax	(11.7)	(34.4)
Fair value adjustment of fixed rate debt	(2.7)	(2.4)
NAV per share	328.9	323.8

Fully diluted net assets per share, after adjustments for deferred tax and debt valuation increased to 329p compared to 324p last year. The fall in fully diluted net assets per share from 361p at December 2000 to 343p at December 2001 has been mitigated by the tax benefit of capital allowances retained on the transfer of the shopping centres to The Mall Fund.

The movement during the year in fully diluted shareholders' funds, net asset value per share and net asset value per share after adjustment for deferred tax and debt valuation are summarised in the table below.

	Shareholders' funds £m	Diluted NAV pence	Net net NAV pence
25th December 2000	339.6	359.6	322.8
UITF 28 adjustment	1.0	1.0	1.0
25th December 2000 – restated	340.6	360.6	323.8
Retained profit	6.4	7.1	7.0
Tax on disposals	(1.0)	(1.1)	19.3
Revaluation of properties and joint ventures	(33.6)	(36.9)	(30.9)
Share repurchases	(23.3)	13.6	9.7
25th December 2001	289.1	343.3	328.9
Transfer to joint ventures	(4.9)	(5.4)	(2.6)
Proforma	284.2	337.9	326.3

In the two years from December 1999 property sales of £286m were completed realising historic cost gains of £46.5m and since December 2001 property transfers to co-investment vehicles have been completed at December 2001 values of £649m at a surplus over historic cost of £74m.

The Group's borrowings at 25th December 2001 were £465.8m (2000: £615.6m) including £24.6m (2000: £24.6m) of Convertible Subordinated Unsecured Loan Stock (CULS). The Group's share of non-recourse borrowings by joint ventures was an additional £44m (2000: £27.8m). Net cash balances were £8.6m (2000: £6.1m).

As shown in the proforma balance sheet in note 32, disposals completed since the year end have reduced net debt to £87.4m with the Group's share of joint venture borrowings increased to £304.5m.
At December 2001 fully diluted gearing was 138% (2000: 159%). This has been significantly reduced by these disposals since the year end to 20%, however, including the Group's share of joint ventures borrowings, gearing would be 119% as per the proforma balance sheet.

Shopping centres

The year 2001 saw further positive development within our core shopping centre portfolio. We achieved a 7.2% increase in net passing rent level to £38.6m (2000: £36.0m). Estimated rental value increased by 4% to £44.9m (2000: £43.2m).

The centres have continued to benefit from our creative management and innovative marketing and promotions. Ancillary income has increased by 38% in 2001 and occupier demand remains strong; void levels continued to decline in 2001 to 3.0% of estimated rental value (2000: 3.8%). Our average weekly footfalls increased by 3% which equates to an additional 27,250 visits per week (excluding Birmingham and Romford where major adjacent redevelopment works have temporarily suppressed footfall).

Across the portfolio we continue to provide a secure, clean and vibrant shopping environment for both our shoppers and retailers. This is achieved by working together with all our business partners, local communities and authorities. Our average budgeted 2002 service charge is currently 24% below the relevant JLL Oscar benchmark, excluding marketing where we plan to spend some 14% more on marketing than this peer group.

Operational savings across the portfolio have seen an 18% reduction in electricity and gas consumption. Our efforts were recognised this year by the Jupiter Asset Management Environmental Research Group for Environmental Property Management, following a property industry-wide survey.

We continue to focus ourselves as a ‘Community Mall business’ and to provide support to numerous local community groups, such as schools and charitable organisations. We combine this local support with portfolio-wide national initiatives such as The Giving Tree scheme and Breast Cancer Awareness fundraising promotions and we were delighted to raise £40,000 for this particular organisation over the year.

The Mall Fund In February 2002, we announced that the Group had completed its negotiations with Morley to form The Mall Limited Partnership, a new property fund focused on in-town covered shopping centres which is initially owned jointly by the Group and clients of Morley Fund Management Limited. Morley acts as Fund Manager and Capital & Regional is the Property and Asset Manager.

We have sold eight of our shopping centres to The Mall Fund for a total consideration of £467m. Clients of Morley Fund Management Limited have sold three shopping centres to The Mall Fund for a total consideration of £189m. From the respective proceeds, under the terms of the Fund Agreements, the Group and Clients of Morley Fund Management Limited have each paid £170m in return for a 50% stake each in The Mall Fund. The remaining consideration of £297m due to us has been received in cash and has been utilised to repay debt. Completion took place on 28th February 2002.

The creation of The Mall Fund is in line with our stated strategy and is intended to enable us to leverage our equity and management expertise across a larger number of properties to generate greater value for our shareholders. We will, going forward, receive income both from management fees on all the properties within The Mall Fund and from distributions from The Mall Fund. We will also benefit, although indirectly, from capital increases in the value of the properties within The Mall Fund, as such increases are expected to increase the value of our investment in that fund.

Our strategic objective is to increase this shopping centre fund to approximately £2bn over the next three years.

The Mall Portfolio review

Aberdeen, The Trinity Centre (200,000 sq ft)
Continued strong trading performance from this fully let centre driven by a 4.5% increase in footfall.

Barnsley, The Alhambra Centre (170,000 sq ft)
New tenants, Adams, Body Care and Perfume Shop all commenced trading during 2001. The centre continues to improve with year-on-year footfall up 5.3%.

Bexleyheath, Broadway Shopping Centre (395,000 sq ft) Acquired in The Mall Fund on 28th February 2002, this is a large centre with strong retailer demand. We plan to work with the Local Authority to improve the centre's physical environment and to reconfigure large space users to satisfy this demand.

Birmingham, The Pallasades (300,000 sq ft)
Despite Railtrack's well publicised problems, negotiations on tenure regearing continue. At the same time we continue to take the opportunity to improve income and rental value. This year additional rental area was created by remodelling the South Mall together with the introduction of new tenants.

Edgware, Broadwalk Shopping Centre (195,000 sq ft) Acquired in The Mall Fund on 28th February 2002, a strong convenience centre with excellent public and private transport linkage with good extension and leisure opportunities.

Epsom, The Ashley Centre (358,000 sq ft)
The remodelling of West Square was completed with Hammicks the bookshop extending into a previously vacant space. The retailer, Next, also tripled the space it previously occupied. Footfall increased by approximately 5.5%.

Falkirk, The Howgate Centre (170,000 sq ft)
Clinton Cards doubled its sales area and Scottish fashion multiple, Quiz, took representation. The completion of the car park refurbishment produced increased revenues of 3.6% year-on-year.

Ilford, The Exchange Mall (355,000 sq ft)
Acquired in The Mall Fund on 28th February 2002, this is a large, successful centre, again with significant retailer demand to be satisfied by reconfiguration.

Romford, Liberty 2 (320,000 sq ft)
Wilkinsons commenced trading from the former Sainsbury's store. We assumed control of the centre car parks in advance of refurbishment. Planning consent was achieved on the adjacent Dolphin extension site.

Walthamstow, Selborne Walk (281,000 sq ft)
The reletting of the former Mothercare unit to First Sport and Thomas Cook was completed. The negotiations for surrender of KwikSave supermarket were also concluded and this space will be remodelled during 2002 together with the introduction of a branded catering offer.

Wood Green, Shopping City (670,000 sq ft)
Our major refurbishment programme was completed in 2001 with a new Woolworths store opening and year-on-year footfall increased by 4%. Our General Manager, Mike Thompson, was runner up 'In-Town Manager of the Year' at Shopping Centre Magazine's 2001 SCEPTRE Awards.

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Retail parks

Tenant demand has remained buoyant throughout the year fuelled by continued consumer spending and institutional demand for retail parks remains strong.

Our strategy of owning and developing retail parks through joint ownership is now well under way:

The Junction Limited Partnership In November 2001 we exchanged contracts with Morley Fund Management to form a Retail Park Investment Fund. Initially, both Capital & Regional and clients of Morley each own 50% of the Fund's equity. Morley is the Fund Manager and Capital & Regional is the Property and Asset Manager.

We have transferred six of our retail parks into the Fund for a cash consideration of £165m, of which £13.7m is deferred, payable on the completion of development works under way. Of these proceeds, £85m has been reinvested in the Fund with the balance used to reduce Group debt. All of the assets that have been transferred into the Fund are retail parks, which are, or are capable of becoming, major anchored parks. Clients of Morley have transferred five of their retail parks into the Fund for £171m. Completion took place on 3rd January 2002.

The Fund is responsible for all development costs associated with the portfolio. Royal Bank of Scotland has extended an initial facility of £170m with further development facilities available.

We believe that by merging our portfolio of large scale retail parks with that of Morley, we have created a major opportunity to enhance value by branding and providing innovative additional attractions. The Junction Limited Partnership is intended to be the first branded retail park portfolio focused on creating destination parks of over 120,000 sq ft. Our target is to increase this retail park fund to around £1.2bn over the next three years.

The roll out of The Junction brand will commence in the summer of 2002 at Hull, and it is hoped that the entire portfolio will be rebranded within three years.

The Capital Hill Partnership Our limited partnership with Hermes Property Unit Trust is progressing well. Planning consent has been obtained to extend the existing 160,000 sq ft retail park in Stratford upon Avon by 15,000 sq ft which has already been pre-let to Matalan.

An agreement to lease for our second destination retailer, B&Q, has been exchanged for a 60,000 sq ft store.

We are hopeful of obtaining planning consent to extend the park by a further 75,000 sq ft to 250,000 sq ft during 2002.

The Auchinlea Partnership In January 2002, we announced the formation of the Auchinlea Partnership with Pillar to redevelop our existing Junction 10 retail park, Glasgow, together with an adjacent site of approximately 70 acres to create 'The Glasgow Fort', a 500,000 sq ft shopping and leisure park.

Outline planning consent has already been granted for an Open A1 scheme and a detailed planning application submitted with consent anticipated during the first half of the year.

Tenant demand is very encouraging and we are looking forward to creating Scotland's premier shopping park.

The Junction Portfolio review

Aylesbury (94,000 sq ft)
A detailed planning application has been submitted for a scheme comprising 195,000 sq ft and consent is anticipated in June 2002.

Beckton (192,000 sq ft)
The redevelopment, including a new 90,000 sq ft Big W, is well under way for completion set for the summer. Further phases up to 120,000 sq ft of retail and leisure floor space are planned.

Hull (272,000 sq ft)
The new 100,000 sq ft destination B&Q store opened in October and is trading above expectations. Planning consent for a further phase of 100,000 sq ft, where terms have already been agreed for a new 40,000 sq ft destination anchor, is anticipated during the year.

Leeds (140,000 sq ft)
Acquired in The Junction Fund on 3rd January 2002. Our proposals for this retail park, located adjacent to the M1 motorway, include widening the current restricted planning consent to enable us to attract a destination retailer providing the catalyst to let vacant space at significantly higher rents.

Leicester (169,000 sq ft)
Acquired in The Junction Fund on 3rd January 2002. This Open A1 non-food retail park is capable of extension by a further 64,000 sq ft subject to planning, land acquisition and tenant restructuring. A new letting has already been agreed at £20/sq ft, some £2.75/sq ft higher than the previous rent.

Maidstone (160,000 sq ft)
Acquired in The Junction Fund on 3rd January 2002. This scheme is already the major retail park within this prosperous town. Tenant engineering and extensions should commence this year.

Oldbury (37,000 sq ft)
A detailed planning application has been submitted for the first phase comprising 130,000 sq ft pre-let to Homebase and consent is anticipated during the first half of 2002. Following the Local Planning inquiry, we are hopeful of a balance of the site currently under our control, comprising 30 acres, being reallocated for retail and leisure use.

Oxford (138,000 sq ft)
Acquired in The Junction Fund on 3rd January 2002. Our proposals for this Open A1 non-food retail park include provision of first floor space to increase the size of the park to 190,000 sq ft, subject to planning and tenant restructuring.

Sheffield (160,000 sq ft)
Acquired in The Junction Fund on 3rd January 2002. Our plans for this retail park include creating space for two destination retailers thereby significantly increasing rental levels.

Xscape

Xscape, our innovative development concept where retail and food and beverage are successfully combined with leisure, has had an exciting year in 2001. The first destination, in Milton Keynes, had its first full year of trading and attracted 4.2 million visitors. The scheme is almost fully let and the success of the concept was recognised at the prestigious Property Week Leisure Property Awards where Xscape won two out of four awards, *The Best Major Leisure Scheme* and *The Best Innovative Concept.*

Mid-year we realised the formidable value and expansion potential of combining the two worlds of leisure property development with entrepreneurial and business skills. Consequently, we appointed PY Gerbeau (Former CEO of the Millennium Dome and Vice President of Euro Disney) as Chief Executive of Xscape Ltd, together with a specialised management team, to help us build Xscape as an international brand and business.

Under PY's direction, the Xscape brand was launched at the end of November. It has received enthusiastic support from both the consumer and business communities. Following the implementation of the new focused business, brand and marketing strategies and product improvements, Xscape Milton Keynes is fulfilling its potential as a unique destination, successfully mixing retail and catering, with leisure, 'Xtreme sports' and entertainment.

We believe the key to Xscape's continued success is the combination of a good property performance and brand goodwill with additional cash flow streams, including events and sponsorship, together with new target markets, including corporate hospitality, families and students.

After four months of implementation the results are already validating our new strategy. We are achieving a 25% increased footfall year-on-year and substantially increased dwell times. We have targeted new market segments and introduced new brand partners and sponsors.

To build on the Xscape Milton Keynes success, support Xscape as an international brand and capitalise on the first mover advantage, Xscape has an immediate and aggressive expansion plan. In March 2002, we announced that the Group, together with PRICOA Property Investment Management ('PRICOA'), had completed the purchase of a 20 acre site in Castleford, Leeds to develop the second Xscape destination. The £57m development is a joint venture between the Group and Hanover Property Unit Trust, which is managed by PRICOA. Many of our lead tenants at Milton Keynes, including Cine UK Limited, Snozone Limited (a Capital & Regional subsidiary), Ellis Brigham Limited and Silvertrek Limited, have entered into pre-commitments for this new centre in Castleford. The scheme is 66% pre-let and construction has already commenced with completion expected in autumn 2003.

We continue our pre-planning of two further Xscape destinations in Braehead, Glasgow and Castrop Rauxel in the Ruhr, Germany.

Management The strength and diversity of our management teams continues to underpin the Group's strong performance. Their innovative and unique approach to the management and marketing of these property assets enables us to continue to generate enhanced returns and future growth for our shareholders, tenants and investors in the funds.

As mentioned above, our team was further strengthened this year, with the appointment of PY Gerbeau as Chief Executive of Xscape Ltd. His distinctive management approach has already had a very positive impact at Milton Keynes and, as we embark on the Xscape roll-out programme, his leadership has brought new and dynamic impetus to our plans.

On behalf of the Board, we would like to express our sincere thanks to all our management and staff for their continued commitment to the Group during the year.

Outlook We believe that there is an exciting opportunity for the Group over the next few years to deliver significant value to our shareholders through the further development of our co-investing property asset management model. We are confident that the strength and depth of our management team, which has been recognised by Morley Fund Management, will attract further interest from additional investors. This would enable us to achieve our objectives to expand our funds under management significantly, at the same time as maintaining a rigorous process of selection of the property assets acquired.

Tom Chandos Chairman
Martin Barber Chief Executive

We believe that there is an exciting opportunity for the Group over the next few years to deliver significant value to our shareholders through the further development of our co-investing property asset management model.

Board of Directors

Executive Directors

Martin Barber* age 57
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 Investment Management Ltd, a wholly owned subsidiary of The Prudential Insurance Company of America.

Roger Boyland FCA age 57
Corporate Finance Director
Roger Boyland is a chartered accountant and has been involved in commercial property for 27 years. He was a founder Director of the Company in 1979 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 40
Financial Director
Lynda Coral has been a chartered accountant for 17 years and a Director of the Company since 1990. Lynda has overall responsibility for accounting and corporate support, including financial reporting, taxation, company secretarial and personnel.

Kenneth Ford BSC FRICS age 48
Managing Director of Shopping Centres
Ken Ford has been involved in commercial property for 28 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 44
Managing Director of Retail Parks
Andrew Lewis-Pratt has over 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 park portfolio.

Xavier Pullen age 50
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.

Martin Barber
Roger Boyland
Lynda Coral
Kenneth Ford
Andrew Lewis-Pratt
Xavier Pullen

Viscout Chandos
Martin Gruselle
Peter Duffy
David Cherry










Non-Executive Directors

Tom Chandos#* age 49
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 a non-executive Director of Middlesex Holdings plc and a Director of a number of private companies, including Cine-UK Limited and Hudson Sandler Limited. He was appointed as a Director of the Company in 1993 and as Chairman in 2000.

Martin Gruselle†# FCA age 64
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 Developments Group plc. He was appointed as a Director of the Company in 1989.

Peter Duffy†* age 65
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 64
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.

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

Five Year Record
for the years ended 25th December 1997 to 25th December 2001

	2001	Restated 2000	1999	1998	1997
Number of shares in issue (million)	78.856	88.735	98.266	98.255	76.399
Diluted number of shares in issue (million)	91.268	101.147	110.678	110.667	88.668
Net assets per share‡	343.3p	360.6p	376.4p	320.6p	272.0p
Net assets per share growth	(4.8%)	(4.2%)	17.4%	17.9%	27.6%†

	£000	£000	£000	£000	£000
Equity shareholders' funds	289,111	340,617	392,566	330,816	217,299
Minority interests	–	3,714	4,341	2,101	933
Non-equity funding by joint arrangement partners	–	–	4,000	3,250	–
Capital employed	289,111	344,331	400,907	336,167	218,232
Borrowings	440,894	590,449	577,891	340,926	237,036
Cash at bank	8,567	6,091	7,388	5,476	9,229
Net bank debt	432,327	584,358	570,503	335,450	227,807
Convertible loan stock	24,223	24,132	24,041	23,950	23,840
Net debt	456,550	608,490	594,544	359,400	251,647
Net debt/capital employed‡	138.1%	158.7%	134.4%	93.3%	94.1%

	£000	£000	£000	£000	£000
Rental income	57,084	67,618	53,597	44,910	28,857
Net rental income	49,032	57,931	45,512	38,507	23,728
Net interest payable***	32,009	41,027	32,018	24,057	16,788
Profit on ordinary activities before taxation**	11,363	14,168	12,838	11,481	11,083
Earnings per share*	13.6p	13.7p	12.2p	12.1p	15.4p
Dividend per share	6.0p	5.5p	5.0p	4.25p	3.5p

† 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.

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. No increases in the basic salaries of the executive directors were made on 1st January 2001.

As stated in the 2000 Report, the Committee has been reviewing revised guidelines for incentive rewards to executive directors. This review has been extended to incorporate the effect of the establishment of the Mall and Junction Funds. The review is expected to be completed shortly and shareholders' approval will be sought for the resulting new Long Term Bonus and Share Scheme.

In the interim, the Committee has awarded cash bonuses to the executive directors based on the achievement of personal, divisional and corporate objectives set by the Committee at the commencement of the year. If all the objectives are achieved bonuses equal to 100% of basic salary may be paid. The Committee has determined that, for 2001, bonuses of 50% should be paid.

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. 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	
	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000
M. Barber**	205	205	103	–	40	41	22	22	370	268
X. Pullen	205	205	103	–	41	41	21	19	370	265
K. Ford	200	200	100	–	30	30	21	21	351	251
A. Lewis-Pratt	200	200	100	–	30	30	21	21	351	251
R. Boyland	160	160	80	–	32	32	22	20	294	212
L. Coral	160	160	80	–	24	24	17	16	281	200
	1,130	1,130	566	–	197	198	124	119	2,017	1,447
M. Gruselle	32	32							32	32
D. Cherry	22	22							22	22
T. Chandos*	70	48							70	48
P. Duffy	22	22							22	22
	146	124							146	124
Total	1,276	1,254	566	–	197	198	124	119	2,163	1,571

* Including fees of £15,000 received (2000: £15,000) from Easter Holdings Limited and Easter Capital Investment Holdings Limited for services as a non-executive director.

**£9,000 (2000: £nil) was paid to M Barber as salary in lieu of pension contributions since October 2001.

† 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	
	2001 Shares	2000 Shares	2001 £	2000 £
M. Barber	2,146,366	2,727,186	35,394	35,394
X. Pullen	1,004,545	1,004,545	23,693	23,693
R. Boyland	557,485	557,485	13,000	13,000
L. Coral	4,861	4,861	25	25
K. Ford	381,905	383,805	–	–
A. Lewis-Pratt	14,153	114,153	–	–
M. Gruselle	50,653	50,653	943	943
T. Chandos	45,000	45,000	15,000	15,000
P. Duffy	–	–	–	–
D. Cherry	4,138	4,138	–	–
Total at 25th December 2001	4,209,106	4,891,826	88,055	88,055

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 2001, no options were granted under the 1998 Discretionary Share Option Schemes.

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

Director	Date granted	Exercise conditions met	Exercise price	Options over Ordinary shares of 10p each: At beginning of 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
				341,723	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	Yes	279.5p	100,000	100,000
	13th September 2000	Not yet	211.5p	50,000	50,000
				441,723	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	Yes	279.5p	100,000	100,000
	13th September 2000	Not yet	211.5p	50,000	50,000
				441,723	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	Yes	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
				380,025	380,025
K. Ford	18th June 1997	Yes	226.4p*	151,747	151,747
	15th May 1998	Yes	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
				451,747	451,747
A. Lewis-Pratt	18th June 1997	Yes	226.4p*	151,747	151,747
	15th May 1998	Yes	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
				451,747	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.

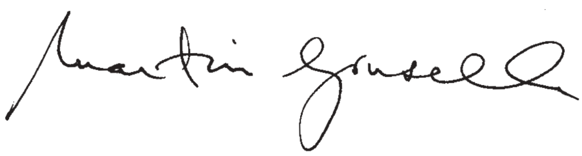
Share incentives (continued) The table below gives details of potential gains on the options granted to the executive directors:

	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	296	296	296	163	62	62
Options where exercise condition has yet to be met	28	28	28	46	84	84
Total at year end	324	324	324	209	146	146

* Using a share price of 267.0p as at 25th March 2002.
The Company's share price was 245.0p on 25th December 2001. During the year the share price ranged from 209.5p to 256.0p.There has been no change in directors' interests in options since 25th December 2001.

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.



Martin Gruselle Chairman
Remuneration Committee

26th March 2002

Corporate Governance Statement

Introduction The Company is required to comply, for the accounting period ended 25th December 2001, 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 Tom 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 10 to 11. 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 14 to 15.

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, 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 2001 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 2000. 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 Financial Services 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 2000 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 2001 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 2001. 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 2001, 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 Financial Services Authority.

By Order of the Board

Falguni Desai

F. Desai Secretary

26th March 2002

Independent Auditors' Report
to the members of Capital & Regional plc

We have audited the financial statements of Capital & Regional plc for the year ended 25th December 2001 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the note of historical cost profit and losses, the reconciliation of movements in shareholders' funds, and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

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 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 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 directors' report and the other information contained in the Annual Report for the above year as described in the contents section and 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 adequacy of the presentation of information in the financial statements.

Opinion In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 25th December 2001 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

26th March 2002

Consolidated Profit and Loss Account
for the year ended 25th December 2001

	Notes	2001 £000	Restated 2000 £000
Turnover: group rental income and share of joint ventures' turnover	2	72,704	79,495
Less: share of joint ventures' turnover	16	(15,620)	(11,877)
Group rental income		57,084	67,618
Net property costs		(8,052)	(9,687)
Net rental income		49,032	57,931
Profit on the sale of trading and development properties	3	183	306
		49,215	58,237
Administrative expenses		(8,645)	(7,955)
		40,570	50,282
Other operating income		679	502
Group operating profit		41,249	50,784
Share of operating profit in joint ventures and associates	16	3,068	476
		44,317	51,260
Profit on sale of investment properties and investments	3	1,439	4,092
Profit on ordinary activities before interest		45,756	55,352
Income from listed investments		–	659
Interest receivable and similar income	4	1,587	824
Interest payable and similar charges	5	(35,980)	(42,667)
Profit on ordinary activities before taxation	6	11,363	14,168
Taxation	9	(427)	(413)
Profit on ordinary activities after taxation		10,936	13,755
Equity minority interests	26	250	(431)
Profit attributable to the shareholders of the Company	10	11,186	13,324
Equity dividends paid and payable	11	(4,731)	(5,070)
Profit retained in the year	25	6,455	8,254
Earnings per share	12a	13.6p	13.7p
Earnings per share – diluted	12b	13.5p	13.7p
Earnings per share on revenue activities	12c	12.4p	9.5p

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

Note of Historical Cost Profits and Losses
for the year ended 25th December 2001

	2001 £000	Restated 2000 £000
Reported profit on ordinary activities before taxation	11,363	14,168
Realisation of property revaluation surplus of previous years	22,157	74
Realisation of other investment revaluation surplus of previous years	–	18,099
Realisation of property revaluation surplus of previous years in joint ventures	–	40
Historical cost profit on ordinary activities before taxation	33,520	32,381
Historical cost profit for year retained after taxation, minority interests and dividends	24,814	23,365

Statement of Total Recognised Gains and Losses
for the year ended 25th December 2001

	2001 £000	Restated 2000 £000
Share of unrealised deficit on valuation of investment properties	(33,003)	(32,852)
Share of unrealised (deficit)/surplus on valuation of other fixed assets	(117)	512
Share of unrealised deficit on valuation of properties in joint ventures	(537)	(561)
Share of tax on revaluation surpluses realised in year	(3,218)	(3,614)
Deferred tax asset/(liability) provided on unrealised revaluation surpluses	2,205	(2,952)
Exchange differences	–	3
	(34,670)	(39,464)
Profit attributable to shareholders	11,186	13,324
Total recognised gains and losses relating to the year	(23,484)	(26,140)

Reconciliation of Movements in Shareholders' Funds
for the year ended 25th December 2001

	2001 £000	Restated 2000 £000
Profit for the year attributable to shareholders of the Company	11,186	13,324
Equity dividends paid and payable	(4,731)	(5,070)
Profit retained in the year	6,455	8,254
Share capital and share premium issued in year (net of expenses)	34	20
Share capital purchased and cancelled in year (including expenses)	(23,325)	(20,759)
Other recognised gains and losses relating to year (see above)	(34,670)	(39,464)
Net reduction to shareholders' funds	(51,506)	(51,949)
Opening shareholders' funds	340,617	392,566
Closing shareholders' funds	289,111	340,617

Consolidated Balance Sheet
as at 25th December 2001

	Notes	£000	2001 £000	£000	Restated 2000 £000
Fixed assets					
Property assets	13		703,338		916,485
Other fixed assets	14		13,966		14,521
			717,304		931,006
Investment in joint ventures:	16				
share of gross assets			91,497		68,084
share of gross liabilities			(62,014)		(38,270)
			29,483		29,814
			746,787		960,820
Current assets					
Property assets	17	28,126		18,846	
Debtors:					
amounts falling due after more than one year	18	8,307		5,541	
amounts falling due within one year	18	29,795		42,272	
Cash at bank and in hand	19	8,567		6,091	
		74,795		72,750	
Creditors: amounts falling due within one year	20	(70,655)		(129,705)	
Net current assets/(liabilities)			4,140		(56,955)
Total assets less current liabilities			750,927		903,865
Creditors: amounts falling due after more than one year					
(including convertible unsecured loan stock)	21		(461,816)		(556,582)
Provisions for liabilities and charges	28		–		(2,952)
Net assets			289,111		344,331
Capital and reserves					
Called up share capital	24		7,886		8,874
Share premium account	25		161,927		161,895
Revaluation reserve	25		82,988		130,770
Other reserves	25		2,535		1,545
Profit and loss account	25		33,775		37,533
Equity shareholders' funds			289,111		340,617
Equity minority interests	26		–		3,714
Capital employed			289,111		344,331
Net assets per share adjusted for minority interests and non-equity funding	27		366.6p		383.9p
Net assets per share adjusted for minority interests and non-equity funding – diluted	27		343.3p		360.6p

The financial statements were approved by the Board of Directors and signed on their behalf on 26th March 2002 by:

M. Barber

L. Coral

Consolidated Cash Flow Statement
for the year ended 25th December 2001

	Notes	£000	2001 £000	£000	Restated 2000 £000
Net cash inflow from operating activities	30(a)		38,232		49,514
Dividends received from joint ventures			928		180
Dividends received from associates			–		5
Returns on investments and servicing of finance					
Dividends received from listed investments		–		625	
Interest received		1,548		795	
Interest paid		(35,352)		(44,063)	
Dividend paid to minority interests		(2)		–	
Loan arrangement costs		(89)		(317)	
			(33,895)		(42,960)
			5,265		6,739
Taxation					
UK corporation tax paid		(2,962)		(622)	
UK corporation tax recovered		115		–	
USA withholding tax recovered		70		–	
			(2,777)		(622)
Net operating cash flow			2,488		6,117
Capital expenditure and financial investment					
Payments for:					
Additions to investment properties		(20,110)		(56,423)	
Additions to properties held as current assets		(18,407)		(20,746)	
Additions to other tangible assets		(306)		(1,239)	
Loans to joint ventures		(4,820)		(2,433)	
Receipts from:					
Sale of investment properties		216,033		1,632	
Sale of properties held as current assets		16,778		43,562	
Sale of other tangible assets		112		108	
Sale of investments		–		25,042	
Repayment of loans by joint ventures		1,710		2,337	
			190,990		(8,160)
			193,478		(2,043)
Acquisitions and disposals					
Additions to joint ventures		–		(18,025)	
Reclassification of cash in joint arrangement		–		(591)	
Acquisition of minority interests in subsidiary		(2,929)		(100)	
			(2,929)		(18,716)
			190,549		(20,759)
Equity dividends paid			(4,855)		(5,134)
Cash inflow/(outflow) before financing			185,694		(25,893)
Financing					
Issue of ordinary share capital		34		20	
Share capital purchased and cancelled in year		(33,491)		(10,593)	
Bank loans received		72,604		108,765	
Bank loans repaid		(222,365)		(73,596)	
			(183,218)		24,596
Increase/(decrease) in cash	30(b)		2,476		(1,297)

Company Balance Sheet
as at 25th December 2001

	Notes	£000	2001 £000	£000	2000 £000
Fixed assets					
Other investments	15		108,768		153,017
Current assets					
Property assets	17	2,775		1,594	
Debtors:					
amounts falling due after more than one year	18	197,050		239,550	
amounts falling due within one year	18	426,293		543,497	
Cash at bank and in hand		5,902		3,089	
		632,020		787,730	
Creditors: amounts falling due within one year	20	(35,189)		(117,197)	
Net current assets			596,831		670,533
Total assets less current liabilities			705,599		823,550
Creditors: amounts falling due after more than one year (including convertible unsecured loan stock)	21		(449,181)		(543,958)
Net assets			256,418		279,592
Capital and reserves					
Called up share capital	24		7,886		8,874
Share premium account	25		161,987		161,955
Other reserves	25		2,535		1,545
Profit and loss account	25		84,010		107,218
Equity shareholders’ funds			256,418		279,592

The financial statements were approved by the Board of Directors and signed on their behalf on 26th March 2002 by:

M. Barber

L. Coral

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 2001. 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.

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 less any unamortised capital contributions made to tenants. 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.

1. Accounting policies (continued)

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.

Tenant incentives Rent frees given to tenants are amortised over the earlier of either the period of the lease, or, to when the rent is adjusted to the prevailing market rate, usually the first rent review.

Capital contributions given to tenants are shown as a debtor, and amortised over the earlier of either the period of the lease, or, to when the rent is adjusted to the prevailing market rate, usually the first rent review.

The valuation of the properties is reduced by the unamortised capital contributions.

On the disposal of properties, the unamortised rent incentives are charged against rental income and the balance of the unamortised capital contributions are charged to the disposal of investment properties.

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.

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 wholly in the UK (2000: £659,000 of income from listed investments which originate from the US).

3. Asset sales

	Fixed assets		Current assets		Total	
	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000
Net sale proceeds	216,029	26,674	8,047	35,353	224,076	62,027
Cost of sales	(192,433)	(4,273)	(7,864)	(35,047)	(200,297)	(39,320)
Historical cost profit	23,596	22,401	183	306	23,779	22,707
Revaluation surplus	(22,157)	(18,173)	–	–	(22,157)	(18,173)
	1,439	4,228	183	306	1,622	4,534
Permanent diminution in value of fixed property assets	–	(225)	–	–	–	(225)
Share of joint ventures (see note 16)	–	89	–	–	–	89
Profit recognised on sale of assets	1,439	4,092	183	306	1,622	4,398

4. Interest receivable and similar income

	2001 £000	2000 £000
Bank interest	506	167
Interest from joint ventures and associates	372	390
Other interest	646	224
	1,524	781
Share of joint ventures (see note 16)	63	43
	1,587	824

5. Interest payable and similar charges

	2001 £000	2000 £000
Bank loans and overdrafts wholly repayable within five years	31,985	42,823
Other loans	1,663	1,663
	33,648	44,486
Capitalised during year	(115)	(2,678)
	33,533	41,808
Share of joint ventures (see note 16)	2,447	859
	35,980	42,667

The interest relating to bank loans, overdrafts and other loans wholly repayable within five years included £nil (2000: £nil) in respect of loans repayable by instalments.

The interest charge includes £384,000 (2000: £365,000) of loan arrangement costs amortised during the year.

6. Profit on ordinary activities before taxation

	2001 £000	2000 £000
This is arrived at after charging:		
(Profit) on disposal of other fixed assets	(74)	(52)
Depreciation	486	567
Amortisation of short leasehold properties	202	173
Amortisation of goodwill	–	72
Auditors' remuneration (see below)	134	128
Directors' emoluments (see note 8)	2,143	1,571
Operating lease rentals for land and buildings	1,141	1,383
Surrender premiums received	(477)	(2,270)
The Group's auditors also charged the following amounts for the provision of non-audit services during the year:		
General taxation advice	128	108
Other	22	6
	150	114

The auditors' remuneration for the Group includes £8,000 (2000: £7,500) in respect of the parent company.

7. 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:

	2001 £000	2000 £000
Staff costs (including directors) consist of:		
Salaries	6,040	4,322
Discretionary bonuses	1,277	796
Total salaries	7,317	5,118
Social security costs	742	580
Other pension costs	237	245
	8,296	5,943

Included in the cost above is £1,380,000 (2000: £nil) relating to employee costs for Snozone Ltd. The operating profit for Snozone is shown under other operating income.

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

	Average number of employees	
	During 2001	During 2000
Direct property services	13	33
Central management	215	79
	228	112

In the current year the average number of employees included 129 (2000: nil) employed by Snozone Ltd.

8. Directors' emoluments

	2001 £000	2000 £000
Emoluments of the highest paid director are as follows:		
Aggregate emoluments	330	227
Pension contributions to defined contribution scheme	40	41
	370	268
Total emoluments of all directors are as follows:		
Aggregate emoluments	1,966	1,373
Pension contributions to defined contribution schemes	197	198
	2,163	1,571

Company pension contributions to defined contribution schemes were made in respect of six (2000: 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 13 to 16.

9. Taxation

	2001 £000	Restated 2000 £000
UK corporation tax:		
Current period	1,335	349
Prior periods	(1,135)	30
Share of tax of joint ventures (see note 16)	227	34
	427	413

The tax liability for the year has been reduced due to the benefit of capital allowances.

10. Profit of the holding company

Of the profit for the year attributable to shareholders, a profit of £4,848,000 (2000: loss £12,599,000) has been dealt with in the accounts of the holding company and is made up as follows:

	2001 £000	2000 £000
Dividends from subsidiaries	57,708	22,074
Net operating costs including interest and tax	(52,860)	(34,673)
	4,848	(12,599)

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.

11. Equity dividends paid and payable

	2001 £000	2000 £000
Interim of 2.5p per share paid on 18th October 2001 (2000: 2.25p per share)	1,971	2,186
Proposed final of 3.5p per share payable on 31st May 2002 (2000: 3.25p per share)	2,760	2,884
	4,731	5,070

12. Earnings per share

a) Earnings per share have been calculated on the weighted average number of Ordinary shares of 10p each in issue during the year 82,272,918 (2000: 97,042,680) and have been based on profit on ordinary activities after taxation and minority interests of £11,186,000 (2000 (restated): £13,324,000).

b) Diluted earnings per share have been calculated after allowing for the exercise of share options which have met the required exercise conditions. The calculation does not include 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 82,613,354 (2000: 97,256,996) and the relevant earnings are £11,186,000 (2000 (restated): £13,324,000).

c) Earnings per share on revenue activities exclude the profit on the sale of investment properties and investments, and associated tax charge and minority interests thereon, of £1,007,000 (2000: £4,101,000).

13. Property assets

	Investment properties: Freehold properties £000	Investment properties: Leasehold properties £000	Total £000
Group			
Cost or valuation:			
At beginning of year	578,868	342,813	921,681
Less: UITF 28 adjustment	(4,940)	(256)	(5,196)
As at 25 December 2000 – restated	573,928	342,557	916,485
Additions	27,009	7,451	34,460
Amortisation of short leasehold properties	–	(203)	(203)
Disposals	(195,262)	(18,808)	(214,070)
Revaluation	(15,702)	(17,632)	(33,334)
As at 25 December 2001	389,973	313,365	703,338
The year end balance is analysed as follows:			
Historical cost	323,627	301,443	625,070
Revaluation surplus	66,346	11,922	78,268

A list of the valuers, and the basis of the valuations, are summarised in note 29.

	2001 £000
The year end balance for leasehold properties is analysed as follows:	
Leasehold with more than 50 years to run	307,415
Leasehold with between 20 and 50 years to run	2,200
Leasehold with less than 20 years to run	3,750
	313,365

The net book value of property assets includes £3,065,000 (2000: £3,445,000) in respect of capitalised interest.

14. Other fixed assets

	Long leasehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Negative goodwill	Total £000
Group					
Cost or valuation					
At beginning of year	13,780	1,576	366	–	15,722
Additions	(3)	304	7	(223)	85
Disposals	–	–	(284)	–	(284)
Revaluation	(117)	–	–	–	(117)
At end of year	13,660	1,880	89	(223)	15,406
Depreciation					
At beginning of year	80	835	286	–	1,201
Provided for year	80	378	32	(4)	486
Disposals	–	–	(247)	–	(247)
At end of year	160	1,213	71	(4)	1,440
Net book values:					
At 25th December 2001	13,500	667	18	(219)	13,966
At 25th December 2000	13,700	741	80	–	14,521

The negative goodwill arose from the acquisition of the minority interest in Easter Capital Investment Holdings Limited. A proportion of the negative goodwill will be credited to the profit and loss account on the disposal of the non-monetary assets acquired.

The long leasehold land and buildings represents the Group's head office, which was independently valued on 25th December 2001. A list of the valuers, and the basis of the valuations, are summarised in note 29.

15. Other investments

	Company Shares in subsidiary and joint venture undertakings £000
Valuation	
At beginning of year	153,017
Additions	27,973
Disposals	(24,444)
Write down in value of investments	(47,778)
At end of year	108,768

A list of principal subsidiaries and joint venture undertakings is given in note 33.

16. Investment in joint ventures

	2001 £000	Restated 2000 £000
At beginning of year	29,666	2,222
UITF 28 adjustment	148	–
At beginning of year – restated	29,814	2,222
Subscription for partnership capital and advances	650	18,050
Reclassification of net investment in joint arrangement	–	10,600
Dividends and capital distributions received	(928)	(180)
Share of results (see below)	703	(283)
Share of taxation (see below)	(227)	(34)
Share of property revaluation deficit	(529)	(561)
At end of year – restated	29,483	29,814
UITF 28 adjustment	–	(148)
At end of year	29,483	29,666

	Xscape Milton Keynes Partnership £000	The Capital Hill Partnership £000	Sauchiehall Centre Limited £000	Easter Holdings Limited £000	Exchange Court Properties Limited £000	Others £000	Total £000
Group share of results:							
Turnover	1,495	1,067	810	11,773	475	–	15,620
Operating profit	1,142	1,012	818	618	(522)		3,068
Interest receivable and similar income	20	9	13	18	3	–	63
Interest payable and similar charges	(1,671)	–	(461)	(269)	(46)	–	(2,447)
Equity minority interests	–	–	–	19	–	–	19
Profit/(loss) before tax	(509)	1,021	370	386	(565)	–	703
Taxation	–	–	(87)	(140)	–	–	(227)
Profit/(loss) after tax	(509)	1,021	283	246	(565)	–	476
Group share of:							
Investment properties	35,913	18,750	20,674	2,244	–	–	77,581
Development properties at cost	–	–	–	4,004	686	–	4,690
Other current assets	3,606	670	1,325	3,396	20	209	9,226
Gross assets	39,519	19,420	21,999	9,644	706	209	91,497
Current liabilities	7,933	461	1,815	2,856	7	16	13,088
Loans	23,400	–	19,775	5,251	500	–	48,926
Gross liabilities	31,333	461	21,590	8,107	507	16	62,014
Share of net assets	8,186	18,959	409	1,537	199	193	29,483
Effective Group share	50%	50%	50%	50%	50%	50%	
Potential recourse to the Group	Nil	Nil	Nil	Nil	1,000	Nil	
Actual recourse at end of year	Nil	Nil	Nil	Nil	1,000	Nil	

16. Investment in joint ventures (continued)

The last year end for The Capital Hill Partnership was 25th March 2001. Its results for the period twelve months to 25th December 2001 have been incorporated. Easter Holdings Ltd has changed its year end and the next year end will be 25th March 2002. Its results for the period twelve months to 25th December 2001 have been incorporated.

A list of valuers and the basis of the valuation are summarised in note 29.

The joint ventures all operate in the UK.

17. Current property assets

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Properties held for disposal	13,859	7,625	–	–
Properties under development	14,267	11,221	2,775	1,594
	28,126	18,846	2,775	1,594

The net book value of current property assets includes £290,000 (2000: £nil) in respect of capitalised interest.

18. Debtors

	Group		Company	
	2001 £000	Restated 2000 £000	2001 £000	2000 £000
Amounts falling due after more than one year				
Amounts owed by subsidiaries	–	–	197,050	239,550
Amounts owed by joint ventures	2,750	–	–	–
Prepayments	5,557	5,541	–	–
	8,307	5,541	197,050	239,550
Amounts falling due within one year				
Trade debtors	16,589	16,645	–	32
Amounts owed by subsidiaries	–	–	363,955	518,039
Amounts owed by joint ventures	4,549	4,873	4,549	4,873
Other debtors	1,480	2,989	107	540
Tax recoverable	2,639	255	–	–
Prepayments and accrued income	4,538	17,510	57,682	20,013
	29,795	42,272	426,293	543,497

19. Cash at bank and in hand

Cash at bank includes £5,679,000 (2000: £122,000) specifically held as security deposits and retained in rent accounts and not freely available to the Group for day to day commercial purposes.

20. Creditors: amounts falling due within one year

	Group		Company	
	2001 £000	Restated 2000 £000	2001 £000	2000 £000
Bank loans (secured) (see note 22)	3,300	57,999	12	44,889
Amounts owed to subsidiaries	–	–	27,424	51,982
Trade creditors	4,631	7,802	9	172
Other creditors	2,384	11,746	31	10,166
Taxation and social security	3,085	2,903	–	–
Corporation tax	7,952	4,186	–	–
Accruals and deferred income	46,543	42,185	4,953	7,104
Proposed dividends	2,760	2,884	2,760	2,884
	70,655	129,705	35,189	117,197

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

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Bank loans (secured) (see note 22)	437,650	532,600	424,900	519,850
Unamortised issue costs	(148)	(241)	(33)	(115)
	437,502	532,359	424,867	519,735
Convertible loan stock (unsecured) (see note 23)	24,642	24,642	24,642	24,642
Unamortised issue costs	(328)	(419)	(328)	(419)
	24,314	24,223	24,314	24,223
	461,816	556,582	449,181	543,958

22. Bank loans

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	198,642	7.45%	2.8
Variable rate loans	267,191	5.38%	n/a
	465,833	6.26%	

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

A valuation was carried out by JC Rathbone Associates Limited as at 25th December 2001 and 25th December 2000 to calculate the market value of the fixed rate instruments on a replacement basis and the expiry profile of the resulting fair value adjustment. 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 2001 and the rate historically committed; namely the fair value adjustment.

	Book value £000	Notional value £000	Fair value £000	Fair value adjustment 2001 £000	Fair value adjustment 2000 £000
Convertible unsecured loan stock	24,642	n/a	24,642	–	–
Bank borrowings	–	n/a	–	–	(324)
Interest rate swaps	n/a	174,000	177,570	(3,570)	(3,164)
	24,642	174,000	202,212	(3,570)	(3,488)
Minority interests				–	81
Fair value adjustment attributable to Group				(3,570)	(3,407)
Net of tax at 30% (2000: 30%)				(2,499)	(2,385)

The fair value adjustment represents approximately 0.77% (2000: 0.57%) of Group borrowings and has a notional adverse effect on fully diluted net asset value per share of 2.7p (2000: adverse 2.4p).

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 2001 and ending on the contracted expiry dates.

The expiry profile of the fair value adjustment is shown in the table below:

	Fair value adjustment 2001 £000	Fair value adjustment 2000 £000
2001	–	(1,678)
2002	(3,191)	(1,541)
2003	(379)	(269)
	(3,570)	(3,488)

22. Bank loans (continued)

The bank loans are repayable as follows:

	2001 £000	2000 £000
Aggregate amount repayable:		
Between one and two years	277,700	200
Between two and five years	151,350	523,600
Greater than five years	8,600	8,800
Total loans due after more than one year	437,650	532,600
Loans due in one year or less or on demand	3,540	58,351
Total loans	441,190	590,951

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

23. Convertible subordinated unsecured loan stock

	Group and Company	
	2001 £000	2000 £000
Convertible loan stock	24,642	24,642
Unamortised loan issue costs due after one year	(328)	(419)
	24,314	24,233
Unamortised loan issue costs due within one year	(91)	(91)
	24,223	24,132

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, following the Tender Offer this price will be adjusted. 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.

24. Called up share capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2001 Number	2000 Number	2001 £000	2000 £000
Ordinary shares of 10p each				
At beginning of year	88,734,623	98,265,697	8,874	9,827
Issued on exercise of share options	20,852	10,426	2	1
Shares purchased and cancelled	(9,899,500)	(9,541,500)	(990)	(954)
At end of year	78,855,975	88,734,623	7,886	8,874

	2001 £000	2000 £000	Authorised	
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.

24. Called up share capital (continued)

The options to subscribe for new Ordinary shares of 10p each under the share option schemes that were outstanding at 25th December 2001 are as follows:

	25th December 2001	
	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	338,855	131.4p
13th April 1998 to 13th April 2005	10,426	132.4p
21st October 1999 to 21st October 2006	151,180	193.2p
18th June 2000 to 18th June 2004	699,045	226.4p
18th June 2000 to 18th June 2007	105,208	226.4p
15th May 2001 to 15th May 2008*	1,098,000	279.5p
22nd May 2001 to 22nd May 2008*	51,880	286.5p
28th September 2001 to 28th September 2008*	25,000	196.5p
23rd February 2002 to 23rd February 2009*	572,900	191.5p
22nd February 2003 to 22nd February 2010*	160,000	201.5p
13th September 2003 to 13th September 2010*	325,000	211.5p
	3,998,308	

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

25. Reserves

	Share premium account £000	Property revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000
Group				
At beginning of year	161,895	130,008	1,545	37,236
Prior year adjustment re Tenant incentives	–	762	–	297
Revised balance as at 25th December 2000	161,895	130,770	1,545	37,533
Issue of share capital	32	–	–	–
Shares purchased and cancelled	–	–	990	(23,325)
Group share of revaluation deficit of investment properties	–	(33,334)	–	–
Group share of revaluation deficit of other fixed assets	–	(117)	–	–
Share of unrealised revaluation deficit in joint ventures	–	(537)	–	–
Realisation of surplus on disposal of investment properties	–	(18,358)	–	18,358
Corporation tax on capital gains charged to STRGL	–	–	–	(3,218)
Deferred tax asset offset against revaluation reserve	–	2,205	–	–
Transfer of historic deficits on revaluation reserve	–	2,028	–	(2,028)
Retained profit for the year	–	–	–	6,455
Minority interest adjustments	–	331	–	–
At end of year	161,927	82,988	2,535	33,775
Group's share of post acquisition reserves of joint ventures				
At beginning of year		5,855		489
Prior year adjustment re tenant incentives		253		(107)
Revised balance as at 25th December 2000		6,108		382
Unrealised reserves on transfer of property to joint ventures		(649)		–
Movement in the year		(537)		(451)
At end of year		4,922		(69)

25. Reserves (continued)

	Share premium account £000	Property revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000
Company				
At beginning of year	161,955	–	1,545	107,218
Profit for year attributable to shareholders	–	–	–	4,848
Equity dividends paid and payable	–	–	–	(4,731)
Issue of share capital	32	–	–	–
Shares purchased and cancelled	–	–	990	(23,325)
At end of year	161,987	–	2,535	84,010

26. Equity minority interests

	Profit and loss 2001 £000	Balance sheet 2001 £000	Restated Profit and loss 2000 £000	Restated Balance sheet 2000 £000
Share of net assets attributable to minority shareholders:				
At beginning of year	–	3,714	–	4,341
Prior year adjustments	–	–	40	40
Share of results	(231)	(231)	359	359
Share of joint ventures (see note 16)	(19)	–	32	–
Share of tax on revaluation surpluses crystallised in year	–	–	–	(511)
Share of movements in revaluation reserve	–	(331)	–	(487)
Purchase of minority interests in subsidiary	–	(2,929)	–	(28)
Negative goodwill on acquisition	–	(223)	–	–
At end of year	(250)	–	431	3,714

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

27. Net assets per share

Net assets per share have been calculated on Ordinary shares of 10p each 78,855,975 (2000: 88,734,623) in issue at the year end and have been based on net assets attributable to shareholders of £289,111,000 (2000: (restated) £340,617,000).

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 91,268,146 (2000: 101,146,794) Ordinary shares of 10p each and have been based on adjusted net assets attributable to shareholders of £313,334,000 (2000: (restated) £364,749,000) by adding the £24,223,000 (2000: £24,132,000) balance sheet value of CULS (see note 23).

28. Provision for liabilities and charges

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

	Provided 2001 £000	Provided 2000 £000	Not provided 2001 £000	Not provided 2000 £000
Tax on capital gains if investment assets were sold at their current valuation	–	2,952	8,815	24,356
Accelerated capital allowances	–	–	1,870	10,442
	–	2,952	10,685	34,798

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 13.6p (2000: 39.2p) and on fully diluted net assets per share of 11.7p (2000: 34.4p).

29. Valuations

The properties were valued at 25th December 2001, as follows:

	Valuer	Basis of valuation	£000
Group properties:	DTZ Debenham Tie Leung	Open market value	36,900
	Insignia Richard Ellis Limited	Open market value	31,310
	Directors	Net sale proceeds of properties sold after 25th December 2001	616,075
	Directors	Open market value	25,370
Total fixed property assets			709,655
Other fixed assets	DTZ Debenham Tie Leung	Open market value	13,500
Total property assets			723,155
Fixed property assets at 25th December 2001 as per balance sheet			703,338
UITF 28 adjustment at 25th December 2001 included in debtors			6,317
Total fixed property assets as valued above			709,655

	Valuer	Basis of valuation	£000
Properties held by joint ventures:			
Xscape Milton Keynes Partnership	DTZ Debenham Tie Leung	Open market value	75,050
The Capital Hill Partnership	Knight Frank	Open market value	37,500
Sauchiehall Centre Limited	Montagu Evans	Open market value	42,500
Easter Holdings Limited	Easter Holdings Limited	Open market value	4,489
			159,539

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

30. Notes to the cash flow statement

(a) Net cash inflow from operating activities

	2001 £000	Restated 2000 £000
Group operating profit	41,249	49,870
Profit on the sale of the trading and development properties	(183)	(306)
	41,066	49,564
Depreciation of other fixed assets	486	567
Amortisation of short leasehold properties	202	173
Amortisation of tenant incentives	1,741	914
Amortisation of goodwill arising on acquisition of minority interests	–	72
(Profit) on disposal of fixed assets	(74)	(52)
Decrease/(increase) in trade debtors, other debtors and prepayments	3,564	(11,794)
(Decrease)/increase in trade creditors, other creditors, taxation and social security and accruals	(8,753)	10,070
Net cash inflow from operating activities	38,232	49,514

30. Notes to the cash flow statement (continued)

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

	2001 £000	2000 £000
Increase/(decrease) in cash in year	2,476	(1,297)
Cash inflow from increase in debt financing	149,760	(35,169)
Change in net debt resulting from cash flows	152,236	(36,466)
Reclassification of debt in joint arrangement	–	22,568
Net debt at beginning of year	(609,501)	(595,603)
Net debt at end of year	(457,265)	(609,501)

(c) Analysis of net debt

	At 25th December 2000 £000	Cash flows £000	At 25th December 2001 £000
Cash in hand and at bank	6,091	2,476	8,567
Debt due within one year	(58,350)	54,810	(3,540)
Debt due after one year	(557,242)	94,950	(462,292)
Total	(609,501)	152,236	(457,265)

31. 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 note 16.

The Group has provided a £5,000,000 loan facility to Easter Holdings Limited which is repayable on or before 1st January 2002. At 25th December 2001 the loan outstanding was £4,549,000 (2000: £4,497,000). Interest was charged on this facility at rates ranging between 7% to 9% during the year. The interest receivable for year is £365,000 (2000: £373,000). The Group was charged £211,000 (2000: £865,000) by a subsidiary of Easter Holdings Limited in respect of property acquisition and management fees during the year, and £8,000 (2000: £96,000) in respect of project management fees.

At the prior year end the Group had provided a £377,000 loan facility to Exchange Court Properties Limited which was repaid in full during the year. Interest was charged on this facility at rates ranging between 8.75% and 9.0% during this year. The interest receivable for the year is £7,000 (2000: £17,000).

Other related party transactions On 22nd June 2001, the Group purchased the minority shareholding in Easter Capital Investment Holdings Limited held by ECI Investments Limited, a company controlled by Peter Taylor. Peter Taylor was a Director of a number of group companies prior to the transaction and owns 50% of Easter Holdings Limited, a joint venture with Capital & Regional plc. The fair value consideration of £2,907,000 was paid wholly in cash. The price was determined in accordance with a shareholders agreement.

During 2001 the Group employed Hudson Sandler Limited for financial PR and corporate communications advice on normal commercial terms. Tom Chandos is a Director of Hudson Sandler Limited.

During 2001 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 2001 Cine UK Limited leased two of the Group's properties on normal commercial terms.
Tom 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 2001 as one of the Group's property advisers and as such has received fees for its services on normal professional terms.

32. Post balance sheet events

On 3rd January 2002 the Group transferred a portfolio of six retail parks into The Junction Limited Partnership, a joint venture with Morley Fund Management Limited, for a total consideration of £165,200,000 of which £13,700,000 was deferred. The Group simultaneously invested £85,000,000 in the new joint venture and repaid bank loans, due after one year, with the balance of the proceeds after sale costs.

On 8th January 2002 the Group transferred the Auchinlea Retail Park into a joint venture with Pillar Property plc for a total consideration of £19,500,000. The Group simultaneously invested £5,200,000 in the new joint venture and repaid bank loans, due after one year, with the balance of the proceeds after sale costs. On 7th March 2002 the Group was reimbursed £1,130,000 of costs, held as current property assets, relating to the proposed redevelopment of the Auchinlea Retail Park.

On 28th February 2002 the Group transferred its portfolio of eight shopping centres and a trading property into The Mall Limited Partnership, a joint venture with Morley Fund Management Limited, for a total consideration of £467,300,000. The Group simultaneously invested £170,000,000 in the new joint venture and repaid bank loans, due after one year, with the balance of the proceeds after sale and transaction costs. The Group incurred exceptional loan breakage and transaction arising from the transaction, which will be recognised in the 2002 financial statements.

The effect of the above transactions on the Group balance sheet as at 25th December 2001 is as follows:

	25th December 2001 £000	The Junction Limited Partnership £000	Auchinlea Partnership £000	The Mall Limited Partnership £000	proforma £000
Fixed assets					
Property assets	703,338	(161,002)	(19,500)	(454,587)	68,249
Other fixed assets	13,966	–	–	–	13,966
Tangible assets	717,304	(161,002)	(19,500)	(454,587)	82,215
Investment in joint ventures					
Share of gross assets	91,497	170,000	10,700	340,000	612,197
Share of gross liabilities	(62,014)	(85,000)	(5,500)	(170,000)	(322,514)
	29,483	85,000	5,200	170,000	289,683
	746,787	(76,002)	(14,300)	(284,587)	371,898
Current assets					
Property assets	28,126	(2,875)	(1,130)	(3,400)	20,721
Debtors	38,102	12,627	–	(5,063)	45,666
Cash at bank and in hand	8,567	–	–	–	8,567
	74,795	9,752	(1,130)	(8,463)	74,954
Creditors: amounts falling due within one year	(70,655)	–	–	–	(70,655)
Net current assets	4,140	9,752	(1,130)	(8,463)	4,299
Total assets less current liabilities	750,927	(66,250)	(15,430)	(293,050)	376,197
Creditors: amounts falling due after one year	(461,816)	66,250	15,430	288,155	(91,981)
Net assets	289,111	–	–	(4,895)	284,216
Net assets per share adjusted for minority interests – diluted	343.3p			(5.4p)	337.9p
Net bank borrowings	457,266	(66,250)	(15,430)	(288,155)	87,431
Gearing ratios:					
– including convertible unsecured loan stock	158.2%				30.8%
– assuming conversion of convertible unsecured loan stock	138.1%				20.4%

On 18th March 2002 a joint venture with Hanover Property Unit trust completed a £3.1m site purchase for the development of the second Xscape complex at Castleford, Leeds. The effect of this transaction has not been reflected in the proforma balance sheet.

33. Subsidiary, joint arrangement entities, joint venture and associated undertakings at 25th December 2001

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 and 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%
Sauchiehall Centre Limited*	Investment and management	50%
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%
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%
Capital and Lanham Construction (Coventry) Limited	Development and trading	100%
Capital and 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%
Snozone Limited	Trading	100%
Capital & Regional (Stratford) Limited	Investment and holding	100%
Capital Hill Partnership	Investment and management	50%
Capital & Regional Retail Parks Ltd	Investment and management	100%
Realcap Investments Limited	Investment and management	100%
Applied Solutions (Projects) Limited	Project Management	50%
Easter Capital Investment Holdings Limited	Investment and holding	100%
Easter Capital Limited	Investment and management	100%
Easter Properties (North East) Limited	Investment and management	100%
Twelve Quays Limited	Investment and management	100%
Twelve Quays One Limited	Investment and management	100%
Easter Capital Investments (Nottingham) Limited	Investment and management	100%
Netherton Developments Limited*	Development	50%
Easter Holdings Limited	Development and trading	50%
Capital and Lanham Limited	Investment and management	100%
The Junction Properties Limited	Investment and management	100%

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 are dealt with in note 16.

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

34. Future commitments

At 25th December 2001 the Group was committed to £9,022,000 (2000: £17,589,000) of capital expenditure and £1,122,000 (2000: £1,333,000) of revenue expenditure in respect of leases which expire in five years or more on land and buildings.

Directors' Report
for the year ended 25th December 2001

The directors present their report together with the audited financial statements for the year ended 25th December 2001.

Results and proposed dividends The consolidated profit and loss account is set out on page 20 and shows a profit on ordinary activities after taxation of £10.9m.

The directors recommend the payment of a final dividend of 3.5p per Ordinary share on 31st May 2002, to members on the register at the close of business on 5th April 2002, which together with an interim dividend of 2.5p per Ordinary share, paid in 2001, makes a total of 6.0p 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 1 to 9.

Directors The directors of the Company at 25th December 2001, 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, Xavier Pullen, Lynda Coral, Kenneth Ford and Andrew Lewis-Pratt retire by rotation and, being eligible, offer themselves for re-appointment. All four directors have service contracts, which require notice of one year.

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 4,209,106 issued shares representing 5.34% of the issued Ordinary share capital of the Company as detailed in the Report on Directors' Remuneration and Interests on pages 13 to 16.

Save as set out in note 31 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 24 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 13 to 16.

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 25th March 2002:

	Shares	%
UBS Asset Management Ltd	8,240,635	10.45
The Capital Group Companies, Inc	5,120,000	6.49
Royal & Sun Alliance Investment Management Ltd	5,018,370	6.36
Tarragona Investment Group Ltd	4,990,045	6.33
Clerical Medical Investment Management Ltd	4,348,665	5.51
Legal & General Investment Management	4,312,295	5.47
Friends Ivory & Sime	3,980,935	5.05
United Nations Pension Fund	3,963,120	5.03
Dawnay, Day Properties Ltd	2,736,743	3.47
Church Commissioners for England	2,538,570	3.22
Total	45,249,378	57.38

Charitable donations During the year the Group contributed £12,888 (2000: £2,250) 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 22 days (2000: 29 days) purchases outstanding.

Compliance with combined code A statement on Corporate Governance is set out on pages 17 and 18.

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 in 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 have had access to join this scheme since 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.

Health & Safety in the Group The Group has a nationally co-ordinated Health & Safety initiative which is contracted out. Procedures are reviewed at monthly management meetings with centre management by the Asset Managers. All properties are adequately insured to cover potential risks and annual risk assessments are carried out by the Group in consultation with the Group contractor and insurers.

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 2002 Final Dividend is set out on the inside back cover. Details of the terms and conditions of the Dividend Reinvestment Plan 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 32 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.

Authority to purchase own shares At an Extraordinary General Meeting in 2001, the Company was granted authority to make purchases in the market of its own shares, subject to specified limits. This authority, none of which has yet been exercised, expires at the conclusion of the Company's Annual General Meeting for this year and by resolution 9, which is proposed as a special resolution, the Company is seeking to renew this authority.

The authority is sought until the conclusion of the 2003 Annual General Meeting, or for 15 months after the date on which the resolution is passed, whichever is the earlier. Details of the current issued share capital are set out in note 24 to the accounts. The directors will only exercise this authority if they consider that it will result in an increase in asset value per share for the remaining shareholders and that it will be in the best interests of the Company to do so.

By Order of the Board

Falguni Desai

F. Desai Secretary

26th March 2002

Notice of the Annual General Meeting

Notice is hereby given that the twenty-third Annual General Meeting of the Company will be held at 10 Lower Grosvenor Place, London SW1W 0EN on 10th May 2002 at 10.30 am for the following purposes.

Ordinary business

1. To consider and, if thought fit, adopt the accounts for the year ended 25th December 2001, and the reports of the directors and auditors thereon.
2. To declare a final dividend of 3.5p per Ordinary share.
3. To re-appoint X. Pullen as a director of the Company.
4. To re-appoint L. Coral as a director of the Company.
5. To re-appoint K. Ford as a director of the Company.
6. To re-appoint A. Lewis-Pratt 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.

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

In compliance with Section 166 of the Companies Act 1985, the Company is hereby generally and unconditionally authorised to make market purchases of its own shares provided always that:

(a) this authority is limited to a maximum number of 11,749,540 Ordinary shares of 10p in the Company or such number of Ordinary shares of 10p in the Company as represents 14.9% of the issued share capital of the Company at the close of business on the day on which this resolution is passed (whichever is the lesser).

(b) the maximum price which may be paid for the shares shall not exceed 105% of the average of the prices at which business was done in the Ordinary shares of 10p each in the Company during the period of five business days immediately preceding the day on which the shares are contracted to be purchased, or, if no such business was done during that period, 105% of the price at which business was last done in the Ordinary shares of 10p in the Company prior to the day on which the shares are contracted to be purchased, in either case as derived from the London Stock Exchange Daily Official List and exclusive of expenses; and

(c) the minimum price which may be paid for the shares shall not be less than 10p.

This authority shall expire at the Company's Annual General Meeting in 2003 or 15 months after the date on which this resolution is passed (whichever is the earlier).

By Order of the Board

Falguni Desai

F. Desai Secretary
26th March 2002

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 Scotland, not later than 10:30 am on 8th May 2002.

Advisers and Corporate Information

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Registered number
1399411

2002 Financial Calendar

2002 Financial Calendar
Annual General Meeting – 10th May 2002
Final dividend record date – 5th April 2002
Final dividend payment – 31st May 2002
Interim results – September 2002
Interim dividend – October/November 2002
2002 Preliminary results announcement – March/April 2003

2002 Final Dividend timetable
Record date – 5th April 2002
Last day to receive DRIP mandates – 10th May 2002
Dividend warrants posted – 30th May 2002
Payment date/shares purchased – 31st May 2002
Certificates/purchase statements despatched – 17th June 2002
CREST accounts credited – 18th June 2002

Designed and produced by Radley Yeldar (London)

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