Rugby Estates PLC.
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FINANCIAL HIGHLIGHTS

YEAR ENDING 31 JANUARY 2000

PRO FORMA NET ASSETS PER SHARE UP 23% AT 255P (JANUARY 1999:208P)

PRO FORMA NET ASSETS PER SHARE UP 104% SINCE JANUARY 1996

PRE-TAX PROFIT £2.708 MILLION (1999:£8.203 MILLION)

TOTAL DIVIDEND UP 10% AT 3.201P (1999:2.910P)

PORTFOLIO VALUE (INCLUDING SHARE OF JOINT VENTURES) UP 22% AT £93.9 MILLION

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FINANCIAL CALENDAR

25 MAY 2000	ANNUAL GENERAL MEETING
15 JUNE 2000	PAYMENT OF FINAL DIVIDEND
OCTOBER 2000	ANNOUNCEMENT OF 2000 INTERIM RESULTS
APRIL 2001	ANNOUNCEMENT OF 2001 FINAL RESULTS

RUGBY ESTATES PLC INVESTS IN STRATEGIC PROPERTY HOLDINGS IN CENTRAL LONDON AND THROUGHOUT THE UNITED KINGDOM, BOTH DIRECTLY AND THROUGH JOINT VENTURES. IDENTIFICATION OF OPPORTUNITIES COUPLED WITH CAREFUL RESEARCH AND HANDS ON PRO-ACTIVE MANAGEMENT TO REALISE LATENT VALUE IS OUR KEY TO SUCCESS. OUR OBJECTIVE IS TO ACHIEVE SUSTAINED GROWTH IN BOTH DIVIDENDS AND NET ASSETS PER SHARE.

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01 Neal Taylor
02 Stephen Jones
03 Andrew Wilson
04 David Tye
05 Alex Wildman

THE CONTINUING IDENTIFICATION OF CHANGING NEEDS AND USES FOR REAL ESTATE IS THE FOUNDATION STONE OF GOOD SHAREHOLDER RETURNS.

DAVID TYE
CHAIRMAN

18 APRIL 2000

I am delighted to report a pre-tax profit of £2,708,000 for the year ended 31 January 2000. The corresponding figure for 1999 of £8,203,000 included a one off contribution of £6,600,000 from the sale of a building in Covent Garden by a joint venture company. Adjusting for the effect of this single item, pre-tax profit increased by 69% from £1,603,000 for 1999. Pro forma net assets per share, restated on a fully taxed basis, increased during the period by 23% to 255p against the background of a 7% increase in property values generally for the same period. Given the continued good results, the board proposes a final dividend of 2.275p per ordinary share, bringing the total dividend for the year to 3.201p (1999: 2.910p). This represents the fourth consecutive annual increase of 10%.

We have had another active year, making £55 million of acquisitions and £45 million of disposals, either directly or through joint ventures.

Within our wholly owned portfolio, we continued to focus on mixed use buildings in central London and other key city centres and on trading and development opportunities along the M4 corridor. In line with our policy of divesting of more secondary assets we made £10 million of disposals. Acquisitions totalling £23 million included buildings in Covent Garden, Clerkenwell, Edinburgh and Oxford, while in the M4 corridor purchases were made in Swindon, Chippenham and Reading (Theale). Purchases outside our core areas continue to be made where attractive opportunities are found. A case in point is Bishops Court Trading Estate in Exeter, which was acquired during the year. M4 Estates Ltd acquired control of ICP Properties Ltd (formerly a joint venture) in March 1999. The development projects acquired in ICP, together with further development expenditure, brings total additions to the wholly-owned portfolio during the year to £28 million.

Taking advantage of very strong demand by both investors and owner occupiers for central London offices, Rugby Union Partnership (our joint venture with UBS Capital) made £34 million of disposals from the £60 million Mayfair and Belgravia portfolio acquired from Grosvenor Estate Holdings in 1998. Covent Garden Estates Ltd, our 50% held joint venture, sold one property for £1 million and retains two holdings in Neal Street.

Development activity has increased substantially with three principal developments in progress at the year-end accounting for 11% of our total portfolio value. These developments comprise a major office/retail refurbishment in Covent Garden, a retail warehouse park in Salisbury and a B1 business park at Theale near Reading.

As a result of these transactions, our total portfolio (including our share of properties held by joint ventures) increased during the year by 22% to £94 million. Central London, which at the year-end accounted for 49% of our total portfolio (1999: 57%), remains our primary area of focus. continued page 07

Asset management for third parties is an increasingly important part of our business. Gross fee income for the year amounted to £960,000 (1999: £407,000). This included sourcing and executing the acquisition of a key strategic development site for a major national retailer in a £27 million transaction. As reported last year, we have been appointed by Liverpool Victoria Friendly Society as asset managers to mastermind the redevelopment of their strategic holding at 8/9 Long Acre, the 'High Street' of Covent Garden. This is at the planning stage and, if successful, we anticipate significant fee income arising over the next two years.

The total return on our wholly owned portfolio during the year was 17.8%, comprising a net income return of 6.9% and capital growth of 10.9%. The weighted average portfolio return on properties held in our joint ventures was 18.9%.

Gearing at 31 January 2000, calculated as the ratio of net borrowings to pro forma net assets, was 89%. Accordingly, we have the capacity to make substantial further acquisitions during 2000, both directly and through joint ventures.

Our investment in Prodat Systems Plc, acquired in 1996 at a cost of £256,000 was sold during the year for £540,000, realising a net profit of £267,000. Further modest investments in similar information technology and internet companies may be made if suitable early stage opportunities arise, particularly where the group's knowledge and contacts can assist the development of such companies. A number of proposals are currently under consideration.

In 1999 we purchased 10% of the group's share capital at 148p per share for cancellation. These purchases had the effect of increasing net assets per share by some 4%. Our objective is to achieve sustained growth in both dividends and net assets per share. Accordingly, further share repurchases are expected to be made in 2000 if the large share price discount to net assets persists.

The current year has started well. Since the year end we have made a number of further disposals of secondary retail properties as well as industrial holdings where we consider values to have peaked. Following our success in Covent Garden over the last five years we are now also focusing on the Clerkenwell/Smithfield area which we perceive to be fundamentally undervalued. Another purchase in Clerkenwell has been contracted since 31 January and a number of further acquisitions in Covent Garden and Clerkenwell are currently in solicitors' hands.

During 2000 we will continue to be active in central London and other key cities, particularly in well located mixed-use buildings and along the M4 corridor. The continuing identification of changing needs and uses for real estate is the foundation stone of good shareholder returns. Property market and economic conditions are set fair for companies like Rugby Estates which continuously reassess the potential in each asset and do not hesitate to change the specific assets in the portfolio to generate fresh opportunities to create value.

We look forward to another excellent year in 2000.

IN THE 12 MONTHS TO 31 JANUARY 2000 YOUR COMPANY HAS AGAIN BEEN VERY ACTIVE, CARRYING OUT £100 MILLION OF SALES AND PURCHASES BOTH DIRECTLY AND IN JOINT VENTURES.

ANDREW WILSON
CHIEF EXECUTIVE

18 APRIL 2000

In the 12 months to the 31 January 2000, your company has again advanced significantly.

- **Pro forma net assets per share up 23% at 255p**
- **Dividends per share up 10% at 3.201p**
- **Pre-tax profits £2.7 million**
- **Pre-tax return on net assets was 26%**
- **Portfolio return was 18%**
- **Underlying property values (including share of joint ventures) total £94 million**
- **49% of portfolio in central London**
- **70% of portfolio is retail or mixed use retail/office**
- **Portfolio yield is 7.2% rising to 8.7%**
- **Average borrowing cost at January 2000 was 7.7% per annum**
- **Pro forma balance sheet gearing was 89%**

The group and its joint ventures carried out £100 million of sale and purchase transactions. Disposals were principally in joint ventures while acquisitions were predominantly by Rugby's subsidiaries. Significant asset value enhancement has been achieved through pro-active hands on management. Capital growth of our wholly owned properties held at the start of the year was 12.6%. Acquisitions during the year produced an overall uplift of 3% after acquisition costs (principally stamp duty) of 5%. As a result of these factors, the total portfolio (including our share of joint ventures) grew by 22% to £94 million. The proportion of this which is wholly owned increased from 77% to 89%.

Our primary focus continued to be on mixed use, city centre properties with further acquisitions in central London, Edinburgh and Oxford. Additional purchases were made in the M4 corridor at Reading (Theale), Swindon, Chippenham and Exeter.

Development activity increased significantly with three projects in progress at January 2000, in central London, Reading and Salisbury. These account for 11% of our total portfolio value.

Sales from our wholly owned portfolio amounted to £10 million, continuing our policy of divesting the portfolio of its more secondary stock. Rugby Union Partnership, our joint venture with UBS Capital, sold over £30 million of the Mayfair and Belgravia investments acquired from the Grosvenor Estate in 1998 as advantage was taken of strong demand for central London offices with exit yields below 6% being achieved.

Asset management for third parties is an increasingly important part of our business with gross fee income of £960,000, compared with £407,000 last year. In addition to our role as managers of Rugby Union Partnership we have earned fees in development sourcing and management for both institutional and private landowners and major owner-occupiers.

Throughout the year we have continued to enhance the quality of the portfolio through disposal, acquisition, development, refurbishment and pro active management of each asset. As a direct result, net assets per share have continued to grow substantially.

OPERATING REVIEW –
ACQUISITIONS

£23 MILLION WAS COMMITTED TO NEW PURCHASES IN NINE BUILDINGS PRODUCING £1.8 MILLION PER ANNUM.

The purchases continued to reflect our programme to improve the quality of our portfolio, focusing on strong growth locations, particularly in central London and other key city centres and along the M4 Corridor. These acquisitions comprise a mix of opportunities to exploit latent value as well as those which provide an attractive income flow.

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01 London EC1, Warwick House, Cowcross Street This mixed use 7,400 sq ft investment in the 'High Street' of Smithfield is let to 6 tenants at £111,000 per annum with considerable reversionary potential.

02 London WC2, 7 King Street, Covent Garden In an improving location close to our existing holdings in Bedford Street, this investment was acquired to reflect a net initial yield of 6%. It is let to Reflexions Market Research Limited and has a rear aspect over St Paul's Church.

03 London EC1, Britton Street This 16,500 sq ft office building was acquired from a major institution for £2.8 million. Let to Euromonitor Plc at £185,000 per annum, the current rent of £11 per sq ft offers substantial growth potential.

04 Chippenham, Avon Reach This 15,000 sq ft office investment, let to Brunel Holdings Plc at £150,000 per annum, is centrally located overlooking the River Avon.

05 Edinburgh, George Street Well located in fashionable George Street this 16,250 sq ft banking and office investment produces £233,000 per annum. Tenants include Lloyds Bank, Friends Provident and GE Capital. A planning application will shortly be made.

06 Edinburgh, South St Andrew Street An 8,000 sq ft office building let to the Co-operative Bank plc until 2015 at a current rental of £180,000 per annum. This is our second acquisition in this improving location.

07 Exeter, Bishops Court Trading Estate This 50,000 sq ft retail and industrial holding let at £217,000 per annum is located at the entrance to the principal trading estate for Exeter at Junction 30 of the M5.

08 Oxford, Golden Cross Walk, Cornmarket Street This shopping centre of some 14,000 sq ft let to retailers including Pizza Express and Holland and Barrett, produces £407,000 per annum.

09 Swindon, Drakes Way A 67,000 sq ft, 5 acre industrial investment, with redevelopment potential, acquired from a UK fund. Located adjacent to Prudential's Greenbridge Retail and Leisure Park, it is let for another 65 years to Courtaulds at £220,000 per annum.

OPERATING REVIEW –
DISPOSALS

DURING THE YEAR WE MADE £10 MILLION OF PROPERTY SALES, PRINCIPALLY OF SECONDARY RETAIL AND INDUSTRIAL PROPERTIES.

Sales in the year reflected our policy of focusing on mixed use buildings in city centres and trading / development opportunities along the M4 Corridor. As a consequence the quality of the retained portfolio continues to improve.

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01 Norwich, Frenbury Industrial Estate
This freehold industrial investment of 75,000 sq ft, acquired in 1998, was sold to a major UK institution. Principal tenants are Edmundson Electrical and Scottish and Newcastle Plc. Let at £285,000 per annum, a price of in excess of £3.2 million was realised.

02 London SW6 Carnwath Road, Fulham
A multi-let 26,000 sq ft industrial complex producing £177,000 per annum. Sold to a property company at a net initial yield of less than 9%.

03 Little Chalfont, Chenies Parade.
We continued to sell individual investments in this retail / residential parade, selling 5 units for £1 million. The remaining 7 units will be sold over the next two years.

04 Newark, Lakeside Shopping Centre, Balderton A district shopping centre anchored by Safeway Plc was sold for £2 million to the *Lincoln Co-operative Society Limited.*

05 Brighouse, Wellington Arcade The remainder of this retail investment, originally acquired in 1993, was sold to a private investor for £1.4 million.

Wholly owned properties

£ million	**31 Jan 2000**	**31 Jan 1999**	**31 Jan 1998**	**31 Dec 1996**	**31 Dec 1995**
Value of investment properties	3.4	8.0	9.9	17.9	20.5
Value of trading properties	80.2	50.9	29.4	32.2	27.4
Total value of properties	**83.6**	**58.9**	**39.3**	**50.1**	**47.9**
Current rental income p.a.	5.5	4.5	3.2	4.6	4.9
Estimated rental value p.a.*	8.1	5.2	3.4	5.0	5.2
Number of tenants	160	148	134	224	271
Number of holdings	37	23	23	38	47

Approximately 97% of 31 January 2000 properties by value were valued by DTZ Debenham Tie Leung or CB Hillier Parker Ltd, the remaining properties being valued by the Directors.

*Estimated rental value at 31 January 2000 assumes developments in progress are completed. This will require additional expenditure of approximately £10 million.

Principal properties, accounting for 90% of the portfolio value as at 31 January 2000:-

	Valuation range £m		**Current income £ p.a.**	**Year acquired**
Central London				
Covent Garden – The Strand Portfolio	*Over 15*	*Retail/Office*	*872,000*	*1997*
Covent Garden – 29/30 Bedford Street	4 – 6	Retail/Office Development	175,000	1998
Covent Garden – 31/33 Bedford Street	4 – 6	Retail/Office	390,000	1998
Clerkenwell – Britton Street	2 – 4	Office	185,000	1999
Smithfield – Cowcross Street	1 – 2	Retail/Office	111,000	1999
Fulham – North End Road	1 – 2	Retail	92,000	1996
Outside London				
Oxford – Golden Cross Walk	4 – 6	Retail	407,000	1999
Birmingham – Paradise Forum Shopping Centre (L*)	2 – 4	Retail	288,000	1998
Edinburgh – South St Andrew Street	2 – 4	Retail/Office	178,000	1998
Edinburgh – South St Andrew Street	2 – 4	Retail/Office	180,000	1999
Edinburgh – George Street	2 – 4	Office	233,000	1999
Exeter – Bishops Court Trading Estate	2 – 4	Industrial	217,000	1999
Reading – Turnhams Green Business Park	2 – 4	Office Development	–	1999
Salisbury – Bourne Retail Park	2 – 4	Retail Development	–	1996
Swindon – Drakes Way	2 – 4	Industrial	220,000	1999
Bristol – Whiteladies Road	1 – 2	Retail/Office	185,000	1998
Burgess Hill – Jubilee Road	1 – 2	Industrial	122,000	1998
Chippenham – Avon Reach	1 – 2	Office	150,000	1999
Exeter – Sowton Industrial Estate	1 – 2	Industrial	141,000	1998
Leeds – Middleton District Shopping Centre (L*)	1 – 2	Retail	137,000	1994
Little Chalfont – Chenies Parade	1 – 2	Retail	148,000	1992
Oxford – Peterley Road, Cowley	1 – 2	Industrial	162,000	1991
Portsmouth – Northarbour Road	1 – 2	Industrial	136,000	1995
Wakefield – Northgate/Westmoreland Street (L*)	1 – 2	Retail	190,000	1994

(L*) Leasehold

THE RUGBY UNION PARTNERSHIP IS A LIMITED PARTNERSHIP JOINT VENTURE WITH UBS CAPITAL. IT WAS FORMED IN MARCH 1998 TO ACQUIRE A £60 MILLION OFFICE PORTFOLIO IN CENTRAL LONDON FROM GROSVENOR ESTATE HOLDINGS.

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Thirteen Partnership properties were sold during the year, realising £34 million. Demand for central London offices for both investment and owner occupation was strong, particularly from overseas purchasers. Accordingly, disposals were made of properties where objectives at purchase had been achieved. The Partnership retains 15 properties valued at £30 million, of which 94% is in Mayfair and 6% in Belgravia.

The annualised portfolio return realised by the Partnership from inception to 31 January 2000 was 18%. The annualised pre-tax return on the group's investment was 31%. In addition the group has received acquisition and management fees totalling £400,000 from the Partnership.

The portfolio continues to offer a considerable number of opportunities to realise latent value. When the objectives for each remaining property have been achieved the Partnership will consider a disposal. A number of properties may therefore be sold in 2000.

The group holds a 24.5% equity interest in Rugby Union Partnership. Further details of this investment are given in note 15 on pages 57 to 59.

01 2-6 Eaton Gate
02 25 Green Street
02 13 Grosvenor Crescent
04 55 South Audley Street
05 19-20 Grosvenor Place
06 42-43 Upper Grosvenor Street
07 26 Grosvenor Street
08 2 Carlos Place
09 45-53 Mount Street
10 61-63 Grosvenor Street
11 14- 15 North Audley Street
12 41- 42 South Audley Street

M4 ESTATES IS THE FOCUS FOR THE GROUP'S ACTIVITIES IN THE M4 CORRIDOR. THESE ARE PRINCIPALLY DEVELOPMENT, LAND ASSEMBLY AND DEVELOPMENT MANAGEMENT.

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In March 1999 M4 Estates Limited (a wholly owned subsidiary of Rugby Estates) took control of ICP Properties Limited, in which the Group had held a 50% interest since 1995. ICP's projects are now managed by M4 Estates.

DEVELOPMENTS IN PROGRESS

02 Salisbury – Bourne Retail Park
Construction has commenced of phase one of this 60,000 sq ft retail warehouse development. 20,000 sq ft has been pre-let to Staples UK which will be taking occupation in July 2000. The scheme is well located adjacent to the principal Tesco supermarket for Salisbury and on the cty's premier retail park. The completed development value is approximately £9 million.

03 Reading – Junction 12 M4, Turnhams Green The infrastructure works are now complete and development of this 36,000 sq ft office scheme is now under way. Completion of phase one comprising 17,000 sq ft in two units is scheduled for October 2000. Negotiations are in progress with potential occupiers with terms agreed for one unit. This project has an estimated completed development value of £10 million.

OTHER PROJECTS

04 Swindon – Junction 16 M4, Hagbourne Copse Having completed the development of two car showrooms for Inchcape additional adjacent land was acquired allowing a planning application to be made for 100 bedroom hotel. The site, having a prominent frontage to the M4, has been sold to a developer and hotel operator conditional upon planning consent being obtained.

05 Enfield – Great Cambridge Road Having been instrumental in acquiring the property, M4 Estates is working in conjunction with Homebase Ltd to create a 140,000 sq ft DIY Superstore, strategically located on the A10 on the site of a former Safeway supermarket.

06 Swindon – Junction 15 M4, Triangle Site
Options are held over this 90 acre site close to the Honda complex on the A419 some 5 miles from Junction 15. Various alternative schemes are presently being considered.

07 Bristol – Junction 19 M4, Harry Stoke
A planning application jointly with a neighbouring land owner and developer remains undetermined for a large residential development. M4 Estates has the benefit of a long term development agreement for this 47 acre site.

COVENT GARDEN	**Walter House, Strand**	Completion of the common parts upgrading. Exterior refurbishment currently in progress will include floodlighting to landmark this principal entrance to Covent Garden. Following a lease surrender and the refurbishment of some office accommodation a letting was achieved at a new level for the building of over £28 per sq ft.
	419/420 Strand	The surrender of a lease to City Centre Restaurants with 5 years unexpired and the simultaneous regrant to them of a new 25 year institutional lease.
	420/422 Strand	Agreement to surrender the four year unexpired lease with Signet and simultaneously granting a new 25 year institutional lease to Prèt a Manger.
	44 Bedford Street	After obtaining planning and listed building consents the retail and residential refurbishment was completed and the majority of the accommodation let.
	50 Bedford Street	Following upgrading, the letting of the entire office upper floor accommodation at a new level of rental for this type and quality of space in the street.
CENTRAL LONDON	**Carnwath Road**	Having let vacant industrial accommodation at a new level of rental the investment was sold.
	2 Carlos Place	Vacant possession was obtained and a substantial dilapidation claim concluded enabling the long leasehold interest to be sold to an overseas purchaser for owner occupation.
	48 Mount Street	Obtained planning consent and commenced a major refurbishment and extension of a residential apartment at this prestigious Mayfair address.
	14 Park Street	Agreed with the tenant a conditional surrender and joint marketing on a vacant possession basis. This property was sold after the year end.
OUTSIDE LONDON	**Edinburgh, Scott House**	A letting established a new level of office rental of £16.50 / sq ft.
	Little Chalfont, Chenies Parade	Continuation of the individual unit sales programme whereby half of the 14 units have now been sold.
	Bristol, Whiteladies Road	Surrender and regrant of a lease to Midland Bank Plc, increasing the lease term and capital value.
	Norwich, Frenbury Industrial Estate	Leases were renegotiated with the principal tenants and the enhanced investment subsequently sold.

GOOD SHAREHOLDER RETURNS ARE THE RESULT OF BUYING WELL, MANAGING PRO-ACTIVELY TO REALISE LATENT VALUE AND THEN SELLING AT THE RIGHT TIME.

2000 promises to be another exciting year for Rugby Estates. There is still considerable latent value to be realised from our current portfolio through pro-active asset and estate management and from the completion of our development programme. Our principal focus will remain in mixed-use buildings in central London and key city centres. However, adding to stock levels at sensible acquisition prices in the current strong direct property market will continue to be challenging. We do not plan to increase our development exposure above current levels and the maintenance of a soundly based income producing portfolio remains a priority. New asset management opportunities, particularly those which reward our skills through fee income will be sought, particularly through M4 Estates along the M4 corridor. A number of disposals, of remaining secondary stock and of those properties where prospective returns have been maximised, have taken place since the year end, and further sales are planned.

Good shareholder returns are the result of buying well, managing pro-actively to realise latent value and then selling at the right time. We will continue to apply our energy, judgement and commitment in each of these fields in 2000.

FINANCIAL REVIEW – PERFORMANCE MEASUREMENT

KEY STATISTICS 2000:

PORTFOLIO RETURN	17.8%
PRE-TAX RETURN ON NET ASSETS	26.1%
RETURN ON SHAREHOLDERS' FUNDS	24.1%

STEPHEN JONES
FINANCE DIRECTOR

18 APRIL 2000

These charts show the group's performance over the past five years using the following key indicators:

(1) Portfolio return
This is the profits and gains arising directly from the group's wholly owned properties expressed as a percentage of the average of the opening and closing portfolio value. Portfolio return is calculated before general overheads, disposal costs and the effects of financing and taxation.

(2) Pre–tax return on net assets
This measures the increase in pro forma net assets before taxation, dividends and changes in share capital as a percentage of pro forma net assets at the start of the year.

(3) Return on shareholders' funds
The increase in pro forma net assets per share plus dividends is shown as a percentage of pro forma net assets per share at the start of the year.

Differences in the bases of calculation, caused in particular by relatively rapid turnover in the group's property portfolio, mean that direct comparisons with market indices must be treated with caution. However, to provide shareholders with general background information regarding the commercial property market, key IPD index figures are also shown.

As the majority the group's properties are held as trading stock the audited balance sheet must show these at the lower of cost and net realisable value, not market value. In order to arrive at a meaningful figure for underlying net assets per share, it is therefore necessary to adjust for the market value of trading stock held both by the group and joint ventures. The board also considers it appropriate to adjust for the corporation tax liabilities which would be crystallised on a sale of all properties, including investment properties, at market value. In previous years, the latent tax liabilities relating to investment properties had not been taken into account. The table below shows pro forma net assets per share restated on a fully taxed basis. Other relevant matters are also taken into account as detailed in the table below.

The result of adjusting the shareholders' funds shown on the group balance sheet for these items is "Pro forma net assets".

Pro forma net assets per share are calculated as follows:

	31 Jan 2000	31 Jan 1999	31 Jan 1998	31 Dec 1996
	£m	£m	£m	£m
Equity shareholders' funds as shown in group balance sheet (p45)	30.2	30.9	25.4	23.6
Market value of properties held as trading stock less book value and amounts payable under profit sharing arrangements:				
• Group properties (note18, p62)	14.6	7.9	6.2	2.2
• Group share of joint ventures (note15, p59)	1.8	2.1	7.0	3.6
Tax payable on sale of trading stock at market value:				
• Group properties (note18, p62)	(4.4)	(2.4)	(1.9)	(0.7)
• Group share of joint ventures (note15, p59)	(0.5)	(0.7)	(2.2)	(1.1)
Tax payable on sale of investment properties at market value				
• Group properties (note13, p55)	–	(0.2)	(0.3)	(1.0)
• Group share of joint ventures (note15, p59)	(0.4)	(0.3)	–	–
Unrealised additional share of gains of Rugby Union Partnership, after tax (note15, p59)	0.2	–	–	–
Unrealised gain on investment in Prodat Systems Plc, after tax	–	0.3	–	–
Pro forma net assets	41.5	37.6	34.2	26.6
Pro forma net assets per share	*255p*	*208p*	*189p*	*147p*
Ordinary shares in issue	16,257,535	18,052,333	18,141,933	18,043,478

Analysis of changes in pro forma net assets

	2000 £m	1999 £m	1998 £m	1996 £m
Increase / (decrease) in property values* :investments	(0.1)	(0.1)	0.9	0.7
Increase / (decrease) in property values* :trading stock	7.9	3.4	7.8	2.3
Net rental income	4.9	3.7	4.9	4.6
Return on portfolio	12.7	7.0	13.6	7.6
Groups' share of profits and increase in value of properties held by joint ventures before tax	1.8	2.4	3.2	3.0
Property disposal costs	(0.2)	(0.2)	(0.7)	(0.3)
Administration costs	(2.4)	(2.5)	(1.9)	(1.6)
Other operating income	0.6	0.4	–	0.2
Financing costs	(2.5)	(1.5)	(2.9)	(2.5)
Change in value of investment in Prodat Systems Plc before tax	(0.2)	0.5	–	–
Taxation on prior year revaluation surpluses realised	–	–	(0.5)	–
Increase in pro forma net assets before tax	9.8	6.1	10.8	6.4
Taxation: Charge for the period	(1.0)	(2.6)	(1.3)	(0.8)
Change in tax liabilities on unrealised gains	(1.7)	0.6	(1.5)	(1.1)
Increase in pro forma net assets after tax	7.1	4.1	8.0	4.5
Dividends	(0.5)	(0.5)	(0.5)	(0.4)
Share issues	–	0.3	0.1	–
Shares purchased for cancellation	(2.7)	(0.5)	–	–
Increase in pro forma net assets	3.9	3.4	7.6	4.1
Opening pro forma net assets	37.6	34.2	26.6	22.5
Closing pro forma net assets	41.5	37.6	34.2	26.6

*Increase in property values comprises change in market values of properties in the period including gains realised on disposal.

2000: 12 months ended 31 January 2000
1999: 12 months ended 31 January 1999
1998: 13 months ended 31 January 1998
1996: 12 months ended 31 December 1996

The group's capital structure is as follows:

	2000 £000	1999 £000
Borrowings	43,573	32,079
Cash and short term deposits	(6,804)	(6,848)
Net debt	36,769	25,231
Shareholders' funds – per balance sheet	30,161	30,862
	66,930	56,093

Gearing – based on shareholders' funds	122%	82%
Gearing – based on pro forma net assets	89%	67%

Borrowings

The group's financing policy is for the majority of its property acquisitions to be financed under loan facilities with a limited number of banks. These loan facilities, principally with National Westminster, Bank of Scotland and Barclays, have broadly similar terms and covenants and allow considerable flexibility and cost efficiency in adding or substituting properties. This flexibility is particularly important as the group's active management approach frequently leads to a relatively high rate of portfolio turnover. Loans are taken in tranches, usually for terms of between 5 and 10 years, giving a spread of maturities. The group's policy is that not more than 25% of its borrowing should mature within one year and not more than 50% within the next 3 years. At 31 January 2000, 3% of utilised borrowings facilities were due to mature within one year and 23% were due to mature within 3 years.

During the year, the group was pleased to establish new facilities with Bank of Scotland totalling £11 million, with maturities between 3 and 10 years. New facilities totalling £27 million were agreed with Nat West which significantly increased both the amount and the term of the groups borrowing facilities from this source. An additional shorter term facility of £3 million has been arranged with Barclays to finance the retail warehouse development now in progress in Salisbury. At 31 January 2000 undrawn borrowing facilities amounted to £6.7 million.

Gearing

Net borrowings at 31 January 2000 amounted to 89% of pro forma net assets. The group will continue to take advantage of opportunities to expand its property asset base through further borrowings, provided that sufficiently attractive properties can be acquired.

Debt Valuation

The board has assessed the market value of fixed rate debt and hedging instruments, fuller details of which are given on pages 69 to 71. The fair value adjustment of £0.15m, after tax at 30%, has a notional favourable effect on the net asset value per share of 0.7p at 31 January 2000.

The group's share of the fair value adjustment in respect of fixed rate debt and hedging instruments held by joint ventures, calculated on the same basis as for the group, would have a notional adverse effect on net asset value per share of 0.2p at 31 January 2000.

THE DIRECTORS PRESENT THEIR ANNUAL REPORT ON THE AFFAIRS OF THE GROUP TOGETHER WITH THE AUDITED ACCOUNTS FOR THE YEAR ENDING 31 JANUARY 2000.

Principal Activities

The group carried on the business of property investment, management and trading within the United Kingdom.

Review of Business during the period and Future Prospects

Accounts of the group's progress during the period and future prospects are set out in the Chairman's Statement on pages 4 to 7 and the Operating and Financial Reviews on pages 8 to 33.

Results and Dividend

The results for the period are set out in the group profit and loss account on page 43.

The profit for the period before taxation amounted to £2,708,000. The Board recommends a final dividend of 2.275p per ordinary share, amounting to £370,000, to be paid on 15 June 2000 to shareholders on the register on 8 May 2000. An interim dividend of 0.926p per ordinary share has already been paid bringing the total dividend for the year to 3.201p per share, amounting to £537,000. This leaves retained profit for the year of £1,365,000 which will be carried to reserves.

Investment Properties

Investment properties are stated at their open market valuation of £3,350,000. These valuations were carried out as at 31 January 2000 by DTZ Debenham Tie Leung (£2,950,000) and the directors (£400,000).

Political and Charitable Contributions

The group made charitable donations of £6,458 during the period. The group made no political contributions.

Payment Policy

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier.

Going Concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Year 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and may thus have required modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. The group identified the major risk areas in respect of computer systems and equipment which rely on microprocessors. A program of action designed to ensure that the impact of controllable exposures would not have a material adverse effect on the group's operations and financial condition was carried out. The additional costs were not significant.

DIRECTORS' REPORT (CONT)

The operation of the group's business depends not only on its own computer systems, but also to some degree on those of its suppliers and tenants. This could expose the group to further risk in the event that there has been failure by other parties to remedy their own year 2000 issues. The directors are not aware of any year 2000 issues having arisen which affect the group.

Acquisition of ICP Properties Ltd

On 18 March 1999 the group acquired the ordinary shares in ICP Properties Ltd which it did not already own for a consideration of £1,000. Accordingly ICP Properties Ltd, previously treated as a joint venture, became a subsidiary from that date.

Substantial Shareholdings

At 31 March 2000 the company has been notified in accordance with sections 198 to 202 of the Companies Act 1985 of the following interests (other than those of directors) in excess of 3% of the issued ordinary share capital of the company.

		Ordinary Shares of 20p At 31 January 2000
Henderson Investors Ltd	2,295,000	14.12%
Prudential Corporation Plc	1,400,000	8.61%
Legal & General Investment Management Ltd	1,154,081	7.10%
MPMA	1,050,000	6.46%
Phillips and Drew Life Ltd.	783,500	4.82%
Invesco English & International Trust Plc	515,000	3.17%

Directors and Directors' Interests

The present directors had the following interests (all of which were beneficial) in the shares of the company during the year ended 31 January 2000:

		Ordinary Shares of 20p
	At 31 January 2000	**At 31 January 1999**
D M F Tweeddale-Tye	1,968,582	1,973,782
A L Wilson	396,717	401,917
S D Jones	128,880	134,080
N A Taylor	9,250	1,850
A J F Wildman (appointed 1 February 2000)	–	–
G L Dennis	290,563	280,435
B J Martin	29,824	19,696

The beneficial interests of directors in the shares of the company disclosed above include those of their spouses and minor children. In addition to the interests disclosed above, Mr Tweeddale-Tye, Mr Wilson and Mr Jones are trustees and members of Rugby Estates Plc Retirement Benefit Scheme which held 425,661 ordinary shares as at 31 January 2000 (1999: 186,978). Details of directors' share options are given in note 23 to the accounts on pages 65 and 66. On 1 February 2000 Mr Wildman held 11,431 ordinary shares. There have been no other changes to the above interests since 31 January 2000.

DIRECTORS' REPORT (CONT)

CORPORATE GOVERNANCE

The Directors fully support the principles of good governance as set out in section 1 of the Combined Code. These have been applied during the year ending 31 January 2000 as follows:-

The Board

The Board consisted during the year of four executive directors and two independent non-executive directors. The Board meets regularly throughout the year. A formal schedule of matters reserved for the decision of the Board covers key areas of the group's affairs. Procedures are in place to enable directors to obtain independent professional advice, where necessary, at the company's expense. All directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board as a whole. Appropriate training is given to directors on first appointment to the Board, and subsequently as necessary.

The Board is led by an executive chairman responsible primarily for the running of the Board and for strategic development. The business is run by the Chief Executive supported by the Finance Director and two Property Directors. The two non-executive directors are independent of management and are able both to exercise independent judgement and for their views to carry significant weight in the Board's decisions.

Following the appointment of Mr A J F Wildman as an executive director on 1 February 2000, non-executive directors comprise less than one third of the Board. The Board considers that, as the group is neither large nor complex, the present Board composition provides an effective balance of power and authority. Accordingly, appointment of further non-executive directors, while regularly reviewed, is not currently proposed.

The Board receives financial and other relevant information on a monthly basis with additional reports where appropriate.

A nomination committee is not considered appropriate because of the small size of the Board, but all appointments or potential appointments are fully discussed by all Board members.

The Audit Committee was established in March 1994 and comprises Mr B J Martin as Chairman and Mr G L Dennis. It meets at least twice a year with the group's auditors, reviews the financial statements and has full authority of investigation into the group's affairs, calling upon such external expertise as it may deem necessary. As there are only two independent non-executive directors, the Audit Committee does not comprise at least three non-executive directors, as recommended by the Combined Code.

The non-executive directors were reappointed on 29 January 1997 for terms expiring on 31 March 2000, and on 23 March 2000 until the Annual General Meeting to be held on 25 May 2000. At the 2000 Annual General Meeting, resolutions will be proposed to reappoint Mr B J Martin for a further term of three years and Mr G L Dennis for a further term of one year. All directors are required to submit themselves for re-election at least every three years.

Mr G L Dennis has agreed to be identified as the senior independent non-executive director to whom concerns may be conveyed.

Directors' Remuneration

The Remuneration Committee was established in March 1994 and meets when required to consider all aspects of executive directors' remuneration, performance and employment. The Committee comprises Mr G L Dennis as Chairman and Mr B J Martin, both of whom are independent non-executive directors.

The Committee determines an overall remuneration package for executive directors in order to attract and retain high quality executives capable of achieving the group's objectives.

The executive directors, other than Mr A J F Wildman, have entered into service agreements which are terminable by the company or the director giving twelve months written notice. Mr Wildman entered into a service agreement on 1 February 2000 which is terminable by the company or Mr Wildman giving six months written notice. The service agreements provide for the following remuneration and benefits:

- a basic salary as determined by the Remuneration Committee;

- an annual bonus, awarded at the discretion of the Remuneration Committee, on the basis of personal and corporate performance. Part of any bonus may be paid by way of additional pension contributions with the remainder in cash;

- the use of a company car, or car allowance;

- medical insurance; and

- pension contributions to the company's or the director's defined contribution pension schemes at a rate of a maximum of 17.5% of basic salary together with death in service life insurance.

The company's policy on the granting of options or awards under share schemes or other long term incentive schemes is for grants and awards to be phased and to be subject to challenging performance criteria which reflect the company's objectives.

Details of directors' remuneration for the year ended 31 January 2000 are set out in note 6 to the accounts on page 52. Details of directors' share options are set out in note 23 to the accounts on pages 65 and 66.

Relations with Shareholders

The Board welcomes opportunities to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives and to communicate with more shareholders, both institutional and private, at the Annual General Meeting.

Internal Control

The directors are responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the group's assets.

Following publication of the Turnbull Guidance, the Board has reviewed the processes by which the significant risks faced by the group are identified, evaluated and managed. To the extent that existing procedures may have been insufficiently formalised to comply with the Turnbull Guidance, action has been taken to ensure that the group will be able to report fully on the effectiveness of the group's system of internal control in accordance with the Turnbull Guidance. For the year ending 31 January 2000, the group has adopted the transitional approach permitted under paragraph 12.43A(a) of the Listing Rules. Accordingly, this annual report is limited to consideration of internal financial control only.

Although no system of internal financial control can provide absolute assurance against material mis-statement or loss, the group's system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures which have been established with a view to providing effective internal financial control are as follows:

Management Structure

The Board has overall responsibility for the group and there is a formal schedule of matters specifically reserved for decision by the Board. The Board meets at least eight times each year and reviews and approves all significant transactions. Each executive director has responsibility for specific aspects of the group's affairs and the executive directors together with key senior executives meet weekly to discuss day to day operational matters.

Quality and Integrity of Personnel

The integrity and competence of personnel is ensured through high recruitment standards and subsequent training. High quality and appropriately qualified personnel are seen as an essential part of the control environment.

Identification of Business Risks

The Board identifies the significant business risks faced by the group and determines the course of action to manage those risks.

Financial Reporting

The group has a comprehensive system for reporting financial results and updated forecasts to the Board on a monthly basis. Results and forecasts are reviewed against budgets and other prior expectations and the Board considers the control implications of material variances.

Transaction Controls

The group has a very small management team operating from a single location. Accordingly, the Board exercises close control over all the group's significant transactions and the executive directors exercise close control over all operational activities. All acquisitions, of both properties and other interests, are made only after appropriate due diligence work has been carried out. Due to the very small number of employees the Board does not currently consider an internal audit function to be necessary or practical.

Audit Committee

The Audit Committee considers and determines relevant action in respect of any internal control issues raised by the external auditors or identified by management.

The directors have reviewed the effectiveness of the system of internal financial control as it operated during the year ended 31 January 2000. This has involved considering the present needs of the business, the information made available to the Board and the operational procedures against the criteria for assessing internal financial control which are set out in the guidance for directors on reporting on internal financial control.

Compliance with the Combined Code

With the exception of the matters referred to above concerning the proportion of non-executive directors and the number of directors on the Audit Committee, the directors consider the group has complied with the provisions of the Combined Code during the year ended 31 January 2000.

DIRECTORS' REPORT (CONT)
BUSINESS OF 2000 ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 14 Garrick Street, London WC2E 9BJ on Thursday 25 May 2000 at 10.00am.

A notice of Annual General Meeting will be set out in a separate circular to shareholders. Shareholders will be asked to consider and, if thought fit, pass a number of resolutions as special business. These will be explained and set out in the circular and relate to:

- renewal of the Directors' authority for the Company to purchase certain of its own shares;
- renewal of the Directors' authority to allot relevant securities;
- renewal of the Directors' powers to allot equity securities for cash otherwise than on a pre-emptive basis to existing shareholders;
- amendments to the Company's Articles of Association to facilitate electronic proxy voting and to require Directors to retire from office every three years;
- the establishment of a new all employee share plan conditional upon legislation currently proposed being enacted; and
- granting the Directors authority for the Company to cancel, in return for a cash payment to the option holders, option rights granted under the Company's Approved and Non-Approved Executive Share Option Schemes.

By order of the Board
S D Jones, Secretary
18 April 2000

SD

REPORT OF THE AUDITORS TO THE MEMBERS OF RUGBY ESTATES PLC

We have audited the accounts on pages 43 to 71 which have been prepared under the historical cost convention as modified by the revaluation of investment properties, and on the basis of the accounting policies set out on pages 49 and 50.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described below, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement on page 40 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the company's corporate governance procedures or its risk and control procedures.

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

Basis of Audit Opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 January 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young, Registered Auditor, London, 18 April 2000.

Directors' Statement of Responsibilities in Relation to the Accounts

The directors are required by law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group for that period. The directors confirm that suitable accounting policies have been consistently applied in the preparation of the accounts, supported by reasonable and prudent judgements and estimates as necessary; applicable accounting standards have been followed, and the accounts have been prepared on the going concern basis.

The directors are responsible for ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of the group at any time and from which accounts can be prepared to comply with the Companies Act 1985. They are also responsible for ensuring the operation of systems of internal control for safeguarding the assets of the group and for preventing and detecting fraud and other irregularities.

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2000

		Notes	2000 £000	1999 £000
Share of turnover in joint ventures		15	1,479	13,380
Group turnover		2	12,042	9,525
Cost of sales		2	(5,445)	(3,947)
Gross profit		2	6,597	5,578
Administrative expenses			(2,427)	(2,523)
Group operating profit		3	4,170	3,055
Share of operating profit in joint ventures			1,115	7,502
(Loss)/profit on disposal of investment properties	– group	4	(224)	(1)
	– joint ventures		816	137
Profit on disposal of investments			267	–
Profit before financing			6,144	10,693
Interest payable	– group	7	(2,933)	(2,381)
	– joint ventures		(1,004)	(1,007)
Interest receivable	– group	8	419	853
	– joint ventures		82	45
Profit on ordinary activities before taxation			**2,708**	**8,203**
Taxation		9	(806)	(2,572)
Profit on ordinary activities after taxation			1,902	5,631
Dividends		10	(537)	(528)
Retained profit		25	**1,365**	**5,103**
Earnings per ordinary share	– basic	11	10.7p	30.7p
	– diluted	11	10.6p	30.3p
Tax relates to the following	– group		(703)	(531)
	– joint ventures		(103)	(2,041)

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JANUARY 2000

	2000	1999
	£000	£000
Profit for the year	1,902	5,631
Unrealised surplus/(deficit) on revaluation of properties	70	(178)
Unrealised surplus on revaluation of properties held in joint ventures	777	771
Taxation on revaluation surplus realised	(234)	(23)
Total recognised gains and losses relating to the year	**2,515**	**6,201**

GROUP RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 JANUARY 2000

	2000	1999
	£000	£000
Opening shareholders' funds	30,862	25,367
Total recognised gains and losses	2,515	6,201
Dividends	(537)	(528)
Share issues	13	321
Purchase of ordinary shares for cancellation	(2,692)	(499)
Closing shareholders' funds	**30,161**	**30,862**

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 JANUARY 2000

	2000	1999
	£000	£000
Reported profit on ordinary activities before taxation	2,708	8,203
Realisation of property revaluation gains of previous years	1,126	183
Realisation of property revaluation gains of previous years in joint ventures	423	–
Historical cost profit on ordinary activities before taxation	**4,257**	**8,386**
Historical cost profit for the year retained after taxation and dividends	**2,914**	**5,263**

GROUP BALANCE SHEET AT 31 JANUARY 2000

		Notes	2000 £000	1999 £000
Fixed assets				
Investment properties		13	3,350	7,955
Other tangible fixed assets		14	397	357
Investments in joint ventures	– share of gross assets		10,448	21,163
	– share of gross liabilities		(5,414)	(11,078)
		15	5,034	10,085
Other investments		16	–	256
			8,781	18,653
Current assets				
Stocks		18	65,615	42,937
Debtors		19	837	2,537
Cash at bank and in hand			6,804	6,848
			73,256	52,322
Creditors: amounts falling due within one year		20	9,803	14,197
Net current assets			63,453	38,125
Total assets less current liabilities			72,234	56,778
Creditors: amounts falling due after more than one year		21	42,073	25,916
Net assets			**30,161**	**30,862**
Capital and Reserves				
Called up share capital		23	3,252	3,610
Share premium account		25	11,984	11,974
Capital redemption reserve		25	435	74
Revaluation reserve		25	1,473	2,175
Profit and loss account		25	13,017	13,029
Equity shareholders' funds			**30,161**	**30,862**

Approved by the board on 18 April 2000
D M F Tweeddale-Tye
S D Jones
Directors

COMPANY BALANCE SHEET AT 31 JANUARY 2000

	Notes	2000 £000	1999 £000
Fixed assets			
Other tangible fixed assets	14	397	357
Investments in subsidiary undertakings and joint ventures	15 & 17	2	1,982
Other investments	16	–	256
		399	2,595
Current assets			
Debtors	19	21,959	24,890
Cash at bank and in hand		5,023	2,065
		26,982	26,955
Creditors: amounts falling due within one year	20	1,446	5,525
Net current assets		25,536	21,430
Total assets less current liabilities		25,935	24,025
Creditors: amounts falling due after more than one year	21	–	–
Net assets		**25,935**	**24,025**
Capital and Reserves			
Called up share capital	23	3,252	3,610
Share premium account	25	11,984	11,974
Capital redemption reserve	25	435	74
Profit and loss account	25	10,264	8,367
Equity shareholders' funds		**25,935**	**24,025**

Approved by the board on 18 April 2000
D M F Tweeddale-Tye
S D Jones
Directors

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31 JANUARY 2000

	Notes	2000 £000	1999 £000
Net cash (outflow) from operating activities	26a	(13,766)	(4,940)
Dividends from joint ventures		1,950	2,500
Returns on investments and servicing of finance			
Interest paid		(2,823)	(2,576)
Interest received		425	619
Issue costs of new borrowings		(213)	(32)
		(2,611)	(1,989)
Tax paid		(1,156)	(1,423)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(224)	(316)
Receipts from sales of investment properties		4,373	8,264
Receipts from sales of tangible fixed assets		64	22
Receipts from sales of other investments		523	–
New loans to joint ventures		–	(4,835)
Loans to joint ventures repaid		2,807	996
		7,543	4,131
Acquisitions and disposals			
New equity investment in joint ventures		–	(24)
Purchase of subsidiary undertaking – consideration		(1)	–
– cash transferred		102	–
		101	(24)
Equity dividends paid		(533)	(528)
Management of liquid resources			
(Increase) / decrease in short term deposits	26b	(633)	868
Net cash (outflow) before financing		**(9,105)**	**(1,405)**
Financing			
Issue of ordinary share capital		13	322
Purchase of ordinary share capital for cancellation		(3,191)	–
New long term loans	26b	33,975	10,590
Repayment of long term loans	26b	(22,346)	(9,840)
Repayment of capital element of hire purchase contracts	26b	(23)	(3)
		8,428	1,069
(Decrease) in cash	26b	**(677)**	**(336)**

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31 JANUARY 2000 (CONT)

	Notes	2000 £000	1999 £000
Reconciliation of net cash flow to movement in net debt			
(Decrease) in cash		(677)	(336)
Cash (inflow) from increase in loans		(33,975)	(10,590)
Repayment of long term loans		22,346	9,840
Issue costs of new long term loans		213	32
Repayment of capital element of hire purchase contracts		23	3
Cash (inflow from) / outflow to short term deposits		633	(868)
Change in net debt resulting from cash flows	26b	(11,437)	(1,919)
Other		(78)	–
Movement in net debt		**(11,515)**	**(1,919)**
Net debt at 1 February 1999 and 1998	26b	(25,254)	(23,335)
Net debt at 31 January 2000 and 1999	26b	**(36,769)**	**(25,254)**

NOTES TO THE ACCOUNTS AT 31 JANUARY 2000

01 ACCOUNTING POLICIES

Basis of preparation
The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings.

The accounts are prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked, see "Investment properties" below.

Basis of consolidation
The group accounts consolidate the accounts of Rugby Estates Plc and all its subsidiary undertakings drawn up to 31 January 2000. No profit and loss account is presented for Rugby Estates Plc as permitted by section 230 of the Companies Act 1985. The results of subsidiary undertakings are accounted for in the profit and loss account from the effective date of acquisition.

Joint ventures
Undertakings, other than subsidiary undertakings, in which the group has an investment on a long term basis and which the group jointly controls under a contractual arrangement are treated as joint ventures. The group accounts include the appropriate share of these undertakings' results and reserves based on management accounts to 31 January 2000.

Depreciation
Depreciation is provided on all tangible fixed assets, other than investment properties, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life as follows:
Motor vehicles – over 4 years, on a straight line basis.
Furniture, fixtures and equipment – over 3 to 5 years, on a reducing balance basis.
Leasehold improvements - over 5 years, on a straight line basis.

Investment properties
Certain of the group's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:
(i) investment properties are revalued annually and the surpluses or deficits are transferred to a revaluation reserve. In the case of permanent impairments in value of individual properties, any deficits below cost are taken to the profit and loss account for the period; and
(ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation or amortisation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation or amortisation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Derivative instruments
Financial instruments, which are used to manage interest rate risk on the group's borrowings, are accounted for on an accruals basis. Premia are recognised over the lifetime of the financial instruments through finance charges which also include the net interest payable or receivable under interest rate swaps and caps.

01 ACCOUNTING POLICIES (cont)

Stock of properties

Trading and development properties are included in stock at the lower of cost and net realisable value. Cost includes all fees relating to the purchase of the property and improvement expenses. Net realisable value is based on estimated selling price less future costs expected to be incurred to disposal. Property acquisitions and disposals are accounted for when legally binding contracts which are irrevocable and effectively unconditional are exchanged and, in the case of disposals, where completion has taken place prior to the date on which the accounts are approved.

Deferred taxation

Deferred taxation is provided using the liability method on all material timing differences to the extent that they are expected to reverse in the future without being replaced.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease. Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under hire purchase are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the period of the hire purchase contract and represent a constant proportion of the balance of capital repayments outstanding.

Pensions

The company participates in a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

NOTES TO THE ACCOUNTS AT 31 JANUARY 2000

02 TURNOVER AND GROSS PROFIT

The group's principal area of continuing activity is that of property investment, management and trading. It operates within one geographical market, the United Kingdom. Turnover, cost of sales and gross profit are analysed as follows:

	Turnover		Cost of Sales		Gross Profit	
	2000	1999	2000	1999	2000	1999
	£000	£000	£000	£000	£000	£000
Rental income:						
Trading stock properties	4,610	2,970	(348)	(227)	4,262	2,743
Investment properties	707	1,010	(66)	(30)	641	980
Total	5,317	3,980	(414)	(257)	4,903	3,723
Lease surrenders	–	–	(7)	–	(7)	–
Sales of trading stock properties	5,765	5,138	(4,681)	(3,690)	1,084	1,448
Management fees receivable	960	407	(343)	–	617	407
	12,042	**9,525**	**(5,445)**	**(3,947)**	**6,597**	**5,578**

Turnover is stated net of value added tax.
Cost of sales of rental income comprises head rents payable and other property outgoings.
Lease surrenders comprise premiums paid to tenants on early termination of occupational leases.
Fees receivable includes £120,000 (1999: £283,000) management fees receivable from Rugby Union Partnership, a joint venture.

03 OPERATING PROFIT

This is stated after charging:		2000	1999
		£000	£000
Auditors' remuneration	– audit services	65	67
	– non-audit services	52	49
Depreciation of owned fixed assets		113	83
Depreciation of assets held under hire purchase contracts		7	10
Operating lease rentals	– land and buildings	155	172

04 (LOSS) ON DISPOSAL OF INVESTMENT PROPERTIES

	2000	1999
	£000	£000
Sale proceeds	4,412	1,795
Historical cost	(3,549)	(1,582)
Adjustment to historical cost of properties sold in prior years	78	–
Prior years' revaluation surpluses realised	(1,126)	(183)
Selling expenses	(39)	(31)
	(224)	**(1)**

05 STAFF COSTS

	2000 £000	1999 £000
Wages and salaries (including directors)	1,310	1,314
Social security costs	129	132
Other pension costs	96	92
	1,535	**1,538**

The average monthly number of employees during the year was as follows:	**2000** No.	**1999** No.
Executive directors	4	4
Management	2	2
Administration	6	6
	12	**12**

06 DIRECTORS' REMUNERATION

The remuneration of each director for the year is analysed as follows:

	D M F Tweeddale-Tye £000	**A L Wilson £000**	**S D Jones £000**	**N A Taylor £000**	**G L Dennis £000**	**B J Martin £000**	**Total 2000 £000**	**Total 1999 £000**
Salary	178	178	97	78	–	–	531	484
Fees	–	–	–	–	20	20	40	40
Performance related bonus	175	175	50	75	–	–	475	550
Benefits in kind	20	20	7	8	–	–	55	54
Pension contributions	31	31	16	8	–	–	86	79
Total 2000	**404**	**404**	**170**	**169**	**20**	**20**	**1,187**	**-**
Total 1999	424	424	169	150	20	20	–	**1,207**

The Report on Directors' Remuneration is on page 39.
Details of directors' share options are shown in note 23 on pages 65 and 66.

Performance related bonuses are determined by the Remuneration Committee in respect of each year. Part of any such bonus may be paid as additional pension contribution, with the balance in cash, but the proportions may be determined after the date of approval of the accounts. Of the total bonus of £550,000 for 1999, £126,000 was paid as additional pension contributions.

Mr A J F Wildman was awarded a bonus of £50,000 on 23 March 2000 in respect of the year ending 31 January 2000. He was appointed a director on 1 February 2000.

07 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £000	1999 £000
Bank loans	2,605	2,073
Other loans	328	308
	2,933	**2,381**

All interest payable has been charged to profit and loss account. No interest has been capitalised in the current or any prior period.

08 INTEREST RECEIVABLE

	2000 £000	1999 £000
Bank interest	171	508
Other interest receivable	248	345
	419	**853**

Other interest receivable includes £240,000 (1999: £273,000) receivable from joint ventures.

09 TAXATION

The taxation charge is made up as follows:

	2000 £000	1999 £000
Based on profit for the period:		
UK corporation tax	713	502
Adjustments in respect of previous years	(10)	29
Joint ventures	103	2,041
	806	**2,572**

NOTES TO THE ACCOUNTS AT 31 JANUARY 2000

10 DIVIDENDS PER ORDINARY SHARE

	2000 £000	1999 £000
Interim 0.926p (1999: 0.882p) per share – paid	167	162
Final 2.275p (1999: 2.028p) per share – proposed	370	366
	537	**528**

11 EARNINGS PER ORDINARY SHARE

		2000	1999
Earnings: profit after taxation		£1,902,000	£5,631,000
Weighted average number of shares in issue	– basic	17,724,416	18,336,046
	– adjustment in respect of shares issuable under share option schemes	276,418	264,616
Weighted average number of shares in issue	– diluted	18,000,834	18,600,662
Earnings per share – basic		10.7p	30.7p
– diluted		10.6p	30.3p

12 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £5,126,000 (1999: £5,226,000)

NOTES TO THE ACCOUNTS AT 31 JANUARY 2000

13 INVESTMENT PROPERTIES

Group	Freehold £000	Long Leasehold £000	Total £000
Cost or valuation:			
At 1 February 1999	6,125	1,830	7,955
Disposals	(4,675)	–	(4,675)
Surpluses on revaluation	–	70	70
At 31 January 2000	**1,450**	**1,900**	**3,350**
Net book value at 31 January 2000 comprises:			
Historical cost	1,048	1,954	3,002
Unrealised valuation surpluses / (deficits)	402	(54)	348
	1,450	**1,900**	**3,350**
Net book value at 1 February 1999 comprises:			
Historical cost	4,597	1,954	6,551
Unrealised valuation surpluses / (deficits)	1,528	(124)	1,404
	6,125	**1,830**	**7,955**

	2000 £000	1999 £000
Valued by DTZ Debenham Tie Leung	2,950	7,585
Valued by the directors	400	370
	3,350	**7,955**

All investment properties, with one exception, were valued, as at 31 January 2000, by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors. The properties were valued on the basis of Open Market Value and all valuations were carried out in accordance with the RICS Appraisal and Valuation Manual.

One investment property was valued as at 31 January 2000 by Mr Tweeddale-Tye and Mr Wilson, directors of the company and members of the Royal Institution of Chartered Surveyors, on the basis of Open Market Value.

If all properties were realised or deemed to be realised at the stated values there would be taxation payable of approximately £44,000 (£209,000). It is the directors' intention to hold these properties for the long term and accordingly no provision has been made for this amount.

14 OTHER TANGIBLE FIXED ASSETS

Group and Company

	Leasehold improvements £000	Furniture, fixtures and equipment £000	Motor vehicles £000	Total £000
Cost or valuation:				
At 1 February 1999	170	141	197	508
Additions	13	12	199	224
Disposals	–	–	(174)	(174)
At 31 January 2000	**183**	**153**	**222**	**558**
Depreciation:				
At 1 February 1999	23	31	97	151
Provided during the year	36	31	53	120
Disposals	–	–	(110)	(110)
At 31 January 2000	**59**	**62**	**40**	**161**
Net book value at 31 January 2000	**124**	**91**	**182**	**397**
Net book value at 1 February 1999	147	110	100	357

Included in the amounts for motor vehicles above are assets acquired under hire purchase contracts with a net book value of £nil (1999: £22,000).

15 INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
At 1 February 1999 and1998	10,085	3,042	1,982	2,671
New equity investment	–	24	–	–
(Decrease) / increase in loans	(2,807)	4,112	–	(872)
Share of profit after tax for the period	907	4,636	–	–
Dividends received in the period	(1,950)	(2,500)	–	–
Share of revaluation surplus for the period	777	771	–	–
Change in provision for diminution in value	–	–	(4)	183
Reclassification on acquisition of ICP	(1,978)	–	(1978)	–
	5,034	**10,085**	**–**	**1,982**

Covent Garden Estates Limited

Covent Garden Estates Limited ("CGE") was incorporated in 1995 to acquire properties in the Covent Garden area of central London. The information herein and the group's share of results is based on audited accounts made up to 31 October 1999 supplemented by unaudited management accounts made up to 31 January 2000. The principal places of business of CGE are 7 Stafford Street, London W1 and 14 Garrick Street, London WC2. CGE has an issued share capital of 2 ordinary shares of £1 each, of which Rugby Estates Plc holds 50%, and operates entirely in the United Kingdom.

ICP Properties Limited

ICP Properties Limited ("ICP") was incorporated in 1995 to carry out property development and land assembly activities. The group acquired a 50% interest in the share capital on 24 November 1995. At 31 January 1999 ICP had an issued share capital of 1,000 'A' ordinary shares of £1 each and 1,000 'B' ordinary shares of £1 each. At 31 January 1999 subsidiaries of Rugby Estates Plc held the 1,000 'A' ordinary shares representing 50% of the share capital and voting rights. As explained in the Directors' report on page 37, the group acquired the 'B' ordinary shares on 18 March 1999, on which date ICP became a subsidiary of the group.

Rugby Union Partnership

Rugby Union Partnership ("RUP") is a Limited Partnership formed on 13 February 1998 and registered at Companies House under number LP5710. On 10 March 1998 RUP acquired a portfolio of 30 long leasehold properties in central London. Subsidiaries of Rugby Estates Plc hold a 24.5% equity interest in the partnership's capital.The information herein and the group's share of results is based on audited accounts made up to 31 October 1998 and unaudited management accounts made up to 31 January 2000.

15 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The group's investment in joint ventures is made up as follows:

	RUP	CGE	ICP	Total
	£000	£000	£000	£000
Partnership equity	24	–	–	24
Loans	2,177	–		2,177
Share of retained profits / (losses) at 1 February 1999	(120)	2,443	(451)	1,872
Share of profit / (loss) before tax for the year	643	372	(5)	1,010
Share of tax	–	(103)	–	(103)
Share of revaluation surplus at 1 February 1999	771	–	–	771
Share of revaluation surplus for the year	777	–	–	777
Dividends received in the year	–	(1,950)	–	(1,950)
Reclassification on acquisition of ICP	–	–	456	456
	4,272	**762**	**–**	**5,034**

The group's share of the results and net assets of its joint ventures are as follows:

	RUP	CGE	ICP	Total
	£000	£000	£000	£000
Results 2000				
Turnover	849	630	–	1,479
Profit / (loss) before tax	643	372	(5)	1,010
Taxation	–	(103)	–	(103)
Profit / (Loss) after tax	**643**	**269**	**(5)**	**907**
Results 1999				
Turnover	699	11,418	1,263	13,380
Profit/(loss) before tax	(120)	6,614	183	6,677
Taxation	–	(2,041)	–	(2,041)
Profit / (Loss) after tax	**(120)**	**4,573**	**183**	**4,636**
Net Assets at 31 January 2000				
Investment properties at valuation	7,246	–	–	7,246
Property stocks at cost	–	1,265	–	1,265
Other current assets	1,742	194	–	1,936
Liabilities due within one year	(258)	(697)	–	(955)
Liabilities due after more than one year	(6,635)	–	–	(6,635)
Group's share of net assets	2,095	762	–	2,857
Group loans	2,177	–	–	2,177
Group investment	**4,272**	**762**	**–**	**5,034**

15 INVESTMENTS IN JOINT VENTURES (CONTINUED)

	RUP	CGE	ICP	Total
	£000	£000	£000	£000
Net Assets at 31 January 1999				
Investment properties at valuation	13,683	–	–	13,683
Property stocks and work in progress at cost	–	1,456	744	2,200
Other current assets	1,440	3,738	102	5,280
Liabilities due within one year	(364)	(1,812)	(796)	(2,972)
Liabilities due after more than one year	(14,084)	(939)	(500)	(15,523)
Group's share of net assets	675	2,443	(450)	2,668
Group loans	4,984	–	2,433	7,417
Group investment	**5,659**	**2,443**	**1,983**	**10,085**

The investment properties held by Rugby Union Partnership and the trading stock properties held by Covent Garden Estates Limited were valued as at 31 January 2000 by qualified professional valuers working for the company of CB Hillier Parker Ltd, Chartered Surveyors acting in the capacity of External Valuers. The properties were valued on the basis of Open Market Value and all valuations were carried out in accordance with the RICS Appraisal and Valuation Manual.

The group's share of the market value of the property stock held by Covent Garden Estates Limited at 31 January 2000 was £3,070,000. If the stock were realised or deemed to be realised at this amount, the group's share of the pre-tax profits would be £1,805,000 (1999: £1,944,000) on which corporation tax of £542,000 (1999: £602,000) would be payable.

If the investment properties held by Rugby Union Partnership were realised or deemed to be realised at the stated values, the group's share of the taxation payable would be approximately £366,000.

The Group's interest in the profits and gains realised by Rugby Union Partnership increases from 24.5% to 40% if certain rates of return are achieved. The directors estimate that, if Rugby Union Partnership had disposed of its properties at market value and been wound up at 31 January 2000, the group's additional share of the gains realised would be approximately £340,000, on which corporation tax of approximately £102,000, would be payable.

16 OTHER INVESTMENTS

	2000	1999
	£000	£000
Group and Company		
Unlisted securities at cost	**–**	**256**

The company acquired 8,334 ordinary shares in Prodat Systems Plc in 1996, representing 9.0% of Prodat's issued share capital. Prodat Systems Plc developed and markets the Promap PC mapping system which provides instant access to Ordnance Survey digital data down to individual building detail from a standard PC. This investment was sold during the year for £540,000, realising a gain of £267,000 after selling expenses.

NOTES TO THE ACCOUNTS AT 31 JANUARY 2000

17 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	**£**
Cost	
At 1 February 1999	26
Additions	1,014
Transfer from investment in joint ventures	1,000
At 31 January 2000	**2,040**

Details of the investments in the principal subsidiary undertakings held by the company are as follows:

Name of Company	**Nature of Business**
Jewelwood Limited	Property investment
Giltrange Limited	Property investment and trading
Forestcity Limited	Property trading and investment
Reedrace Limited	Property investment
Floatrace Limited	Property trading
Alexfleet Limited	Property trading and investment
Evanmanor Limited	Property trading
Rendour Limited	Property trading
Centralhill Limited	Property development and trading
Garrick Street Properties Limited	Property development and trading
M4 Developments Limited	Property trading
Rugby Union Estates Limited	Property investment
M4 Estates Limited	Property development and trading
Clerkenwell Properties Limited	Property Trading
Clerkenwell Estates Limited	Property Trading
Salomview Properties Limited	Property Trading
REGP Limited	Holding Company

The company owns 100% of the issued ordinary shares of all of the above subsidiary undertakings, all of which operate in the UK.

ICP Properties Limited	Property Development

The above company is wholly owned by M4 Estates Limited, a subsidiary undertaking of Rugby Estates Plc.

17 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

On 18 March 1999 the group acquired the ordinary share capital in ICP Properties Ltd ("ICP") which it did not already own for a consideration of £1,000. Accordingly ICP, Previously treated as a joint venture, became a subsidiary from that date.

Analysis of the acquisition of ICP:

	Book Value £000	*Revaluation Adjustment £000	Fair Value to the Group £000
Property stocks	1,506	450	1,956
Debtors	53	–	53
Cash	102	–	102
Creditors due within one year			
–due to group companies	(2,433)	–	(2,433)
–other	(133)	–	(133)
Net (liabilities) at date of acquisition	**(905)**	**450**	**(455)**
Discharged by:			
Share of retained (loss) at date of acquisition			(456)
Cash consideration			1
			(455)

*The fair value of property stocks, including development work in progress, was assessed at the date of acquisition, and a revaluation adjustment made accordingly.

After the date of acquisition ICP contributed to the group's results as follows:	**£000**
Turnover	283
Operating profit	25
(Loss) before tax	(6)

NOTES TO THE ACCOUNTS AT 31 JANUARY 2000

18 STOCKS

Group	2000 £000	1999 £000
Properties held for trading	**65,615**	**42,937**

Properties held for trading are shown at the lower of cost and net realisable value.
The aggregate value of these properties on an open market basis as at 31 January 2000 was:

	Market value 2000 £000	Book value 2000 £000	Market value 1999 £000	Book value 1999 £000
Valued by DTZ Debenham Tie Leung	44,130	38,566	26,890	23,598
Valued by CB Hillier Parker Ltd.	33,650	24,690	23,050	18,392
Valued by the directors	2,462	2,359	1,025	947
	80,242	**65,615**	**50,965**	**42,937**

If all properties were realised or deemed to be realised at these amounts there would be additional liabilities as follows:

	2000 £000	1999 £000
Profit sharing payments	21	143
Taxation	4,381	2,444

All properties held as trading stock, with the exception of those valued by the directors, were valued, as at 31 January 2000, by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors or CB Hillier Parker Ltd, Chartered Surveyors acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors. Certain properties were valued by Mr. Tweeddale-Tye and Mr. Wilson, directors of the company and members of the Royal Institution of Chartered Surveyors. With one exception, the properties were valued on the basis of Open Market Value and all valuations were carried out in accordance with the RICS Appraisal and Valuation Manual. One development in progress, which will be completed in April 2000, has been valued by CB Hillier Parker Ltd on the basis of Open Market Value at completion less further costs to complete at £4,875,000 (book value £4,127,000).

19 DEBTORS

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Amounts due from subsidiary undertakings	–	–	21,527	24,723
Trade debtors	189	2,217	–	–
Corporation tax	–	–	354	–
Other debtors	–	63	–	63
Prepayments and accrued income	648	257	78	104
	837	**2,537**	**21,959**	**24,890**

20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Current instalments due on bank loans	1,500	1,963	–	–
Loans repayable within one year	–	4,200	–	–
Obligations under hire purchase contracts	–	23	–	23
Amount due to joint venture	–	3,737	–	3,737
Trade creditors	4,403	710	–	–
Corporation tax	561	822	–	63
Social security, payroll and other taxes	173	37	190	28
Other creditors	110	652	38	499
Accruals and deferred income	2,686	1,687	848	809
Proposed dividend	370	366	370	366
	9,803	**14,197**	**1,446**	**5,525**

21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Loans	**42,073**	**25,916**	–	–

22 GROUP BORROWINGS

		2000 £000	1999 £000
Loans:			
Not wholly repayable within five years	– by instalments	11,300	9,152
	– otherwise	20,135	7,200
Wholly repayable within five years		12,138	15,727
		43,573	**32,079**
Amounts falling due:			
In one year or less		1,500	6,163
Between one and two years		2,132	4,393
Between two and five years		13,937	10,775
In five years or more		26,004	10,748
		43,573	**32,079**

Loans not wholly repayable within five years are as follows:

	2000 £000	1999 £000
National Westminster Bank Plc		
Repayable in January 2010 including interest at Libor plus 1%	14,420	–
Repayable in June 2006	–	2,500
Repayable in May 2007	–	2,200
Repayable in November 2008	–	2,500
Repayable by fixed annual instalments including interest at Libor plus 1%	6,380	–
Repayable by equal quarterly instalments including interest:		
at 8.75% until May 2005	–	3,736
at Libor plus 1.25% until June 2006	–	1,875
at Libor plus 1.25% until May 2007	–	1,870
Bank of Scotland		
Repayable in April 2009 including interest at base rate plus 1%	3,545	–
Repayable in July 2009 including interest at base rate plus 1%	2,170	–
Repayable by fixed quarterly instalments commencing 2002 including interest:		
at base rate plus 1% until April 2009	2,080	–
at base rate plus 1% until July 2009	1,280	–
Canada Life Assurance Company		
Repayable by equal quarterly instalments including interest at 9% until October 2009	1,560	1,671
	31,435	**16,352**

The loans are secured by fixed charges on certain of the group's investment properties and property stocks and by floating charges over the assets of certain subsidiary undertakings.

23 SHARE CAPITAL

Authorised			2000 £000	1999 £000
Ordinary shares of 20p each			5,100	5,100
Allotted, called up and fully paid	**2000 No.**	**1999 No.**	**2000 £000**	**1999 £000**
Ordinary shares of 20p each	16,257,535	18,052,333	3,252	3,610

At the Annual General Meeting held on 26 May 1999 the company was authorised to purchase for cancellation a maximum 1,805,233 ordinary shares of 20p each. Between 3 November 1999 and 13 December 1999, 1,805,233 ordinary shares were purchased for cancellation at 148p per share. At the Extraordinary General Meeting held on 19 January 2000 the company was authorised to purchase for cancellation 2,300,000 ordinary shares. This authority will expire at the next Annual General Meeting to be held on 25 May 2000, at which a resolution proposing a renewal of such authority will be put before the members. Further purchases may be made if the Directors are satisfied that net assets per share will be increased after taking into account alternative investment opportunities and the effect on the group's overall financial position. On 27 January 2000, 10,435 ordinary shares were issued at 115p per share on the exercise of options granted under the Approved Executive Share Option Scheme.

Share option schemes

Scheme Details		Date of grant	Exercise price	Exercise Date Earliest	Exercise Date Latest	Performance Criteria
Approved Executive Scheme	(i)	7/4/1994	115p	7/4/1997	6/4/2004	See below
Approved Executive Scheme	(ii)	6/6/1997	165p	6/6/2000	5/6/2004	See below
Non-Approved Executive Scheme	(iii)	7/4/1994	115p	7/4/1997	6/4/2001	See below
Savings Related Scheme	(iv)	21/10/1996	86p	21/10/2001	20/10/2002	None
Savings Related Scheme	(v)	29/10/1997	134p	29/10/2000	28/10/2001	None
Approved Executive Scheme	(vi)	19/10/1998	139p	19/10/2001	18/10/2008	See below
Approved Executive Scheme	(vii)	30/4/1997	144p	30/4/2000	29/4/2007	See below
Approved Executive Scheme	(viii)	15/10/1996	115p	15/10/1999	14/10/2006	See below

The exercise of share options under the executive schemes is subject to the satisfaction of the following criteria:

(a) the increase in the adjusted net asset value per ordinary share over a continuous period of three financial years of the company (commencing no earlier than one year prior to the date of grant) exceeds the growth in the All Properties Capital Growth Index published by Investment Property Databank Limited over the same period by at least 5 per cent per annum (in respect of the options granted on 7 April 1994) or by at least 3 per cent per annum (in respect of the options granted after 7 April 1994); and

(b) in respect of the options granted on 7 April 1994 the increase in the market value of an ordinary share over a continuous period of three years (commencing no earlier than the date of grant) exceeds the growth in the Retail Price Index over the same period by at least 2 per cent per annum.

The mid-market price of each ordinary share at 31 January 2000 was 175.5p and the range during the year was 132.5p – 186.5p.

23 SHARE CAPITAL (CONTINUED)

The interests of the directors and other employees in the company's share option schemes are as follows:

Ordinary Shares of 20p each	Scheme Reference	D M F Tweeddale-Tye	A L Wilson	S D Jones	N A Taylor	*A J F Wildman	Other Employees	Total
Approved Executive Scheme								
At 31 January 1999	(i)	–	–	137,390	31,980	1,740	–	171,110
Exercised during the year						(1,740)	–	(1,740)
At 31 January 2000	(i)	–	–	137,390	31,980	–	–	169,370
At 31 January 1999	(vii)	–	–	–	–	12,495	17,000	29,495
Lapsed during the year		–	–	–	–	–	(5,000)	(5,000)
At 31 January 2000	(vii)	–	–	–	–	12,495	12,000	24,495
At 31 January 1999	(viii)	–	–	–	–	8,695	–	8,695
Exercised during the year		–	–	–	–	(8,695)	–	(8,695)
At 31 January 2000	(viii)	–	–	–	–	–	–	–
At 31 January 1999	(vi)	40,000	40,000	40,000	30,000	25,000	25,000	200,000
Lapsed during the year		–	–	–	–	–	(3,000)	(3,000)
At 31 January 2000	(vi)	40,000	40,000	40,000	30,000	25,000	22,000	197,000
At 31 January 1999 and 2000	(ii)	48,000	48,000	24,000	24,000	–	–	144,000
Total Approved Executive Scheme								
At 31 January 2000		88,000	88,000	201,390	85,980	37,495	34,000	534,865
Non-Approved Executive Scheme								
At 31 January 1999 & 2000	(iii)	381,739	381,739	8,695	–	–	–	772,173
Savings Related Scheme								
At 31 January 1999	(iv)	20,058	20,058	12,034	16,046	20,058	4,011	92,265
At 31 January 1999	(v)	–	–	2,910	1,455	–	1,455	5,820
At 31 January 2000		20,058	20,058	14,944	17,501	20,058	5,466	98,085
Total of all Schemes								
At 1 January 1999		489,797	489,797	225,029	103,481	67,988	47,466	1,423,558
Exercised during the year		–	–	–	–	(10,435)	–	(10,435)
Lapsed during the year		–	–	–	–	–	(8,000)	(8,000)
At 31 January 2000		**489,797**	**489,797**	**225,029**	**103,481**	**57,553**	**39,466**	**1,405,123**

*A J F Wildman was appointed a director on 1 February 2000

24 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

Group and company		2000 £000	1999 £000
Amounts payable	– Within one year	–	23
	– In two to five years	–	–

25 RESERVES

Group	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 February 1999	11,974	74	2,175	13,029	27,252
Retained profit for the year	–	–	–	1,365	1,365
Net surplus arising on revaluation of investment properties in the year	–	–	70	–	70
Net surplus arising on revaluation of investment properties held in joint ventures	–	–	777	–	777
Revaluation surplus realised	–	–	(1,126)	1,126	–
Revaluation surplus realised in joint ventures	–	–	(423)	423	–
Taxation on prior years' revaluation surplus realised	–	–	–	(234)	(234)
Purchase of ordinary shares for cancellation	–	361	–	(2,692)	(2,331)
Share options exercised in the year	10	–	–	–	10
At 31 January 2000	**11,984**	**435**	**1,473**	**13,017**	**26,909**

Company	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 February 1999	11,974	74	–	8,367	20,415
Retained profit for the year	–	–	–	4,589	4,589
Purchase of ordinary shares for cancellation	–	361	–	(2,692)	(2,331)
Share options exercised in the year	10	–	–	–	10
At 31 January 2000	**11,984**	**435**	**–**	**10,264**	**22,683**

26 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit to net cash inflow from operating activities.

	2000	1999
	£000	£000
Operating profit	4,263	3,055
Depreciation	120	93
Decrease in debtors	1,705	7,974
(Increase) in stocks	(20,722)	(19,668)
Increase in creditors	868	3,606
Net cash (outflow) from operating activities	**(13,766)**	**(4,940)**

b) Analysis of net debt	**At 1 Feb 1999**	**Cash flow**	**Non cash movements**	**At 31 Jan 2000**
	£000	£000	–	£000
Cash	816	(677)	–	139
Short term deposits*	6,032	633	–	6,665
Borrowings	(32,079)	(11,494)	–	(43,573)
Hire purchase contracts	(23)	23	–	–
	(25,254)	**(11,515)**	–	**(36,769)**

**Short term deposits are included within cash at bank and in hand in the balance sheet and include £560,000 (1999: £401,000) held on blocked deposits* as security for borrowings. Of this, £560,000 (1999: £9,000) is available for property acquisitions.

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The group's principal financial instruments, other than derivatives, comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The group also enters into derivative transactions, principally interest rate swaps and caps. The purpose is to manage interest rate risks arising from the group's operations and its sources of finance.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risks and liquidity risks. The board reviews and agrees policies for managing each of these risks which are summarised below.

As the group operates wholly within the United Kingdom, there is currently no exposure to currency risk.

The disclosures below exclude short term debtors and creditors.

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk

The group borrows at both fixed and floating rates of interest and uses interest rate swaps and caps to generate the desired interest profile and to manage the group's exposure to interest rate fluctuation. The group's current policy is to keep at least 50% of borrowings hedged for 3 years ahead by means of fixed rate loans, interest rate swaps and interest rate caps. At 31 January 2000, 75% of borrowings were so hedged. This policy is reviewed regularly in the light of anticipated levels of borrowings.

The interest rate profile of the group's financial liabilities was as follows:

		2000	1999
		£000	£000
Fixed rate	– borrowings	1,560	9,461
Floating rate	– subject to interest rate swaps	21,000	9,000
	– subject to interest rate caps	10,000	10,000
	– not hedged	11,013	1,118
Other variable rate		–	2,500
Hire purchase obligations		–	23
		43,573	**32,102**

The weighted average interest rate of fixed rate borrowings was 9.0% p.a. (1999: 8.7%) fixed for a weighted average period of 6.7 years (1999: 3.1 years).

The effect of the interest rate swaps is to swap 3 month LIBOR to a weighted average fixed rate of 6.6% (1999: 6.4%) for a weighted average period of 7.6 years (1999: 4.5 years). The average margin on LIBOR related borrowings is 1% (1999: 1.1%) producing an effective weighted average fixed interest rate of 7.6% (1999: 7.5%) p.a. on this tranche of group borrowings.

The group has purchased interest rate caps at a strike rate against 3 month LIBOR of 8% p.a. At 31 January 2000 the current cost of this tranche of borrowings, including margin and cap premiums, was 7.7% (1999: 7.4%) p.a., with a maximum of 9.5% p.a. until the caps' terms expire in February 2002.

The interest rate profile of the group's financial assets was as follows:

	2000	1999
	£000	£000
Floating rate	6,665	6,780
Non-interest bearing	139	68
	6,804	**6,848**

Floating rate financial assets comprise cash and short term deposits at call and money market rates for up to 14 days.

Liquidity Risk

The group's objective is to maintain a balance between continuity of funding and flexibility through loans, secured on the group's property assets, from banks and other financial institutions. The group's policy is that not more than 25% of its borrowings should mature within one year and not more than 50% of borrowings should mature within the next 3 years. At 31 January 2000, 3% (1999: 19%) of utilised borrowing facilities were due to mature within one year and 23% (1999: 39%) were due to mature within 3 years.

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

The maturity profile of the group's financial liabilities was as follows:

	2000 £000	£000 £000
In one year or less	1,500	6,186
In more than one year but not more than two	2,132	4,393
In more than two years but not more than five	13,937	10,775
In more than five years	26,004	10,748
	43,573	**32,102**

At 31 January 2000 committed, undrawn borrowing facilities amounted to £6,700,000 (1999: nil) of which £3,000,000 expires in March 2001 and £3,700,000 is available until January 2010. Drawdown is subject to provision of security over properties satisfactory to the lenders.

A comparison of book values and fair values of the group's financial assets and liabilities is set out below:

	2000 Book Value £000	2000 Fair Value £000	1999 Book Value £000	1999 Fair Value £000
Primary financial instruments				
Fixed rate borrowings	(1,560)	(1,624)	(9,461)	(10,019)
Variable rate borrowings	(42,013)	(42,013)	(22,618)	(22,618)
Obligations under hire purchase contracts	–	–	(23)	(23)
Fixed asset investments (other than joint ventures)	–	–	256	720
Cash and short term deposits	6,804	6,804	6,848	6,848
Derivative instruments				
Interest rate swaps	–	343	-	(593)
Interest rate caps	–	(125)	-	(171)

The fair value of fixed rate borrowings, interest rate swaps and interest rate caps has been assessed by calculating the cash flows which would arise if the commitments at 31 January 2000 had been entered into at market rates at that date. The difference between such cashflows and the actual committed cash flows was then discounted at the prevailing risk free interest rate. The fair value of fixed asset investments is the directors' estimate of market value.

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

The fair value adjustment relating to fixed rate debt and derivative instruments is as follows:

	2000 £000	1999 £000
Fixed rate borrowings	(64)	(558)
Interest rate swaps	343	(593)
Interest rate caps	(125)	(171)
Total favourable / (adverse) adjustment	**154**	**(1,322)**

The maturity profile of the fair value adjustment is as follows:

Year to 31 January	2000 £000	1999 £000
2000	–	(350)
2001	(13)	(248)
2002	(11)	(217)
2003	13	(153)
2004	31	(96)
2005	26	(70)
2006 to 2010	108	(188)
	154	**(1,322)**

28 PENSION COMMITMENTS

The company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds.

29 OTHER FINANCIAL COMMITMENTS

Annual commitments of the group and of the company under non-cancellable operating leases are as follows:

	Land and buildings	
	2000 £000	1999 £000
Operating leases which expire after five years:	155	150

30 CONTINGENT LIABILITIES

The company has issued guarantees in respect of the borrowings of subsidiary undertakings which amounted to £32,776,000 at 31 January 2000 (1999: £31,982,000).

SUMMARY FIVE YEAR FINANCIAL HISTORY

Period Ending		31 Jan 2000 (12 mths)	31 Jan 1999 (12 mths)	31 Jan 1998 (13 mths)	31 Dec 1996 (12 mths)	31 Dec 1995 (12 mths)
Turnover	£m	12.0	9.5	29.7	12.3	7.0
Rental income	£m	5.3	3.7	4.9	4.6	4.0
Profit before taxation	£m	2.7	8.2	3.8	2.4	1.1
Property portfolio (market value)	£m	83.6	58.9	39.3	50.1	47.9
Net borrowings	£m	36.8	25.3	23.3	25.6	31.1
Equity shareholders' funds	£m	30.2	30.9	25.4	23.6	22.2
Pro forma net assets*	£m	41.5	38.1	34.5	27.6	23.5
Dividends per share	pence	3.201	2.91	2.86	2.40	2.175
Earnings per share – basic	pence	10.7	30.7	13.8	8.7	4.0
– diluted	pence	10.6	30.3	13.6	–	–
Pro forma net assets per share*	pence	255	208	188	148	125

*Pro forma net assets include properties held as trading stock at market value and allows for the tax liabilities which would be crystallised if investment and trading stock properties were sold at market value. Details of the calculation of pro forma net assets are given in the Financial Review on pages 30 and 31.