Liberty international

Liberty International PLC annual

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Company Registration Number

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1999

Liberty International PLC annual report 1999

Front cover Night time view of the Braehead shopping centre as seen from the River Clyde

Back cover Piccadilly Arcade is an attractive example of Capital & Counties' property holdings in London's West End

Liberty international

Focus and quality We have concentrated our efforts on our two top performing property companies:

Capital Shopping Centres PLC, 74% owned, the UK's leading developer, owner and manager of regional shopping centres.

Capital & Counties plc, 100% owned, a high quality commercial property company specialising in London's West End and the South East of England.

Growth Our total property portfolio has grown in just five years from £1.3 billion to £3.8 billion.

Shareholder returns Our compound total return per share (growth in net asset value plus net dividends) for the last five years has been 21% per annum, which compares favourably with 10.8% (before tax) reported by the widely used UK direct property benchmark, IPD monthly index.

Events of the year

Independence Liberty International became an independent company in 1999 as a result of a complex restructuring exercise which reduced the percentage holding of its major shareholder from 74% to around 30%.

Braehead opening The one million sq.ft. out-of-town Braehead shopping and leisure complex, Glasgow, opened in September and proved an immediate success. The first time valuation produced a surplus of £118 million on the project cost of £288 million.

Development programme The Chimes, Uxbridge, a £150 million shopping centre project, continues on time and budget for Spring 2001 opening.

Future projects include Oxford (CSC) and some 640,000 sq.ft. of potential developments (Capital & Counties).

Australian disposal Successful disposal of Australian commercial property interests realised £70 million and produced an exceptional profit of £6 million.

Share buy backs Shares in issue (fully diluted) reduced by 12% from 382 million to 337 million as a result of the restructuring and share buy backs. These transactions produced a worthwhile increase in net asset value per share for the remaining shareholders.

Net asset value per share Net asset value per share increased by 18% to 696p fully diluted after a further year of strong investment property revaluation surpluses.

Total return in 1999 The total return in 1999 (growth in net asset value plus net dividends) amounted to 21.7%.

Chairman's statement

Picture removed

Donald Gordon Chairman

	Increase	1999	1998
Profit before taxation and exceptional items	3%	£125.4m	£121.6m
Earnings per share before exceptional items	6%	25.12p	23.71p
Dividends per ordinary share	8%	20.5p	19.0p
Share capital and reserves	11%	£2,230m	£2,015m
Total shareholders' funds including minority interests	8%	£2,832m	£2,614m
Net assets per share (fully diluted)	18%	696p	589p*

*1998 figure as reported by Liberty International Holdings.

1999 has been a year of substantial progress for Liberty International. At the group level, the year involved the successful completion of a major corporate restructuring with the result that Liberty International is now an independent company with no controlling shareholder. The underlying business has yet again performed strongly on all fronts as we have concentrated our efforts on our two top performing property companies - Capital Shopping Centres, 74% owned, the UK's leading developer, owner and manager of regional shopping centres, and Capital & Counties, *100% owned, a high quality commercial property company* specialising in London's West End and the South-East of England.

Results for the year The most notable feature of the year was the sharp increase in Liberty International's net asset value per share on a fully diluted *basis from 589p to 696p. This increase of 18% together with the dividend* of 20.5p represented a total return for the year of some 22%. Liberty International's compound total return for five years now amounts to an outstanding 21% per annum. Our overall property portfolio increased during the year from £3.2 billion to £3.8 billion and has almost trebled in size over the last five years, a realistic measure of the dynamic progress of the Liberty International group over this period, which broadly coincided with the flotation of Capital Shopping Centres sponsored by Liberty International in March 1994.

Of the total return for the year, it is estimated that 16p (3%) was attributable to the group reorganisation, 11p (2%) to the share buy back programme conducted during the year, 23p (4%) to profits, and the balance of 78p (13%) to property revaluations in the year, which are discussed in more detail later in this review.

Excluding exceptional items of £2.2 million relating to the 1999 reorganisation and the disposal of our Australian property interests, profit before taxation increased marginally from £121.6 million to £125.4 million. Relatively few of the tenancies in our major assets, such as Lakeside and MetroCentre, came up for review in 1999, and some planned voids were incurred at Capital & Counties to enable refurbishments to take place. Furthermore, the result has to be seen in the context of a significant capital reduction in the year from 383 million shares in issue (fully diluted) to 337 million, a reduction of 12%. Earnings per share excluding exceptional items increased by 6% from 23.7p to 25.1p.

The year's ordinary dividend has been increased from 19.0p to 20.5p, an increase of 8%, continuing the group's record of steady dividend growth.

The capital reduction in the year arising from the group reorganisation and share buy-back programme involved some £218 million of expenditure and largely explained the utilisation of cash balances which declined from £487 million to £296 million. After net expenditure of £192 million on developments, mainly the Braehead Shopping Centre, Glasgow, and the Chimes, Uxbridge, scheduled for completion in Spring 2001, and the completed investment property portfolio, borrowings, net of cash, increased from £516 million to £838 million. Nevertheless, the group's financial position remains extremely strong with an exceptionally long maturity profile of borrowings. The gearing ratio, measured by net borrowings as a percentage of total shareholders' funds of £2.8 billion, increased marginally from 20% to 30%, a level giving full scope to take advantage of new opportunities, which now exist plentifully within the property sector and which we intend to exploit in the medium term.

Property valuations and other issues The Liberty International group again recorded strong revaluation surpluses. The Braehead shopping centre has been valued for the first time at £407 million, a surplus of £118 million after provision for all anticipated costs for completion. This represents a highly successful outcome for which the CSC executive directorate and project team deserve much congratulation. The remaining shopping centre portfolio of CSC recorded a valuation surplus of £179 million, an underlying increase of 8% on a like-for-like basis. CSC's overall valuation surplus was therefore £297 million of which £207 million was attributable to Liberty International after taking account of CSC's minority shareholders.

The valuation increases were underpinned by growth in investment income of 8% and by continued strengthening of the market related equivalent yields applied to the rental streams for the valuation process. It is estimated that 56% of the valuation surplus of CSC for the year (excluding Braehead) came from increased rental values and that the balance of 44% arose from the change in the market related valuation basis.

The Capital & Counties portfolio produced a surplus of £70 million, representing 11.4% on the UK portfolio and 8.4% on the US portfolio.

The retailing industry, particularly mid-market fashion and clothing, has dominated media headlines in recent months, especially the success of the fast growing discount sector and the higher value fashion end of the market, with a number of retailers in the mid-price market under some pressure. However, trading at CSC's centres had been such that successful retailers have further benefited from being located in the company's shopping centres and even amongst those reporting mixed fortunes it is clear that their performance at CSC's shopping centres is not at the root of these reported problems, but rather their lease commitments and representation in secondary trading locations.

One predominant theme is that retailers who aspire to long term success must be represented in prime regional shopping centres which can meet their space requirements for a full range of merchandise and deliver high levels of customer footfall. This requirement has become more evident over the past few years, maintaining demand both for representation and increased space in CSC's shopping centres.

Press comment has also focused on the perceived competitive challenge to Lakeside from Bluewater which opened in March 1999. Based on experiences elsewhere, we have always believed the two centres would be complementary, largely addressing different catchment areas and increasing the overall market for out of town shopping in line with consumer requirements. This view has been borne out by the outcome, with Lakeside beginning to eliminate any effect of the competition and now once again on a rising growth trend. Overall Lakeside visitor numbers reduced in 1999 by some 8% and retail sales were 14% down in 1999 compared with 1998, demonstrating the limited impact on Lakeside. I am much encouraged by Lakeside's resilience which implies a virtual doubling of the potential of the Essex/Kent catchment area in one year. Lakeside has retained its popularity with both shoppers and retailers and, ten years since opening, major initiatives are fully underway to build upon its loyal customer profile and its geographic location.

A further potential competitor for shopping centre and high street retail sales is the Internet. In the field of general retailing, and clothing in particular, the Internet or "e-tailing" is principally likely to be a complementary adjunct to the main business of retailing except in some *service-oriented sectors where* it may have particular advantages. Internet expertise does not translate easily into retailing skills, including issues of merchandising, quality and pricing involved in retailing and branding.

Retailing involves warehousing and distribution, whatever the sales medium, and the highly advertised website as yet does not appear to offer sustainable cost advantage over the well located local shop unit. The Internet, as a new medium, may well be adopted by conventional retailers to shrink their unit *shop operations in the smaller towns and secondary* locations, whilst concentrating on centres of excellence such as CSC's prime shopping centres. Retailing has always had the capacity to adjust to changing markets and will continue to do so, embracing new formats for business and practices such as late night shopping at Lakeside which now supports approximately one-third of customer visits.

Corporate developments in the year The review of operations which follows reports on the results and details of the individual activities of the group by *the management.*

Restructuring of group The most significant event in the year from a corporate point of view was the complex restructuring transaction concluded in the first half of 1999. This transaction involved the formation of a new *holding company to facilitate the reduction in the Standard Bank and* Liberty Life group holdings in Liberty International from 74% to around 30%, by way of unbundling and distribution of shares in Liberty International by Liberty Life to its shareholders.

Liberty International is now an independent public company with no controlling shareholder. Our primary listing is in London, we also have a listing in Johannesburg and a wide spread of shareholders, which has increased by some 20,000 in the year.

After some initial indigestion as shares flowed back from South Africa to London, the benefits of this transaction are now readily apparent in increased share liquidity and, when required, greatly improved access for Liberty International to both debt and equity capital markets.

Share buy backs Both Liberty International and CSC obtained shareholder approval and then initiated share buy back programmes in 1999. Liberty International bought back 14.6 million shares at an average price of *472p and a total cost of £69 million, and CSC bought back 11.9 million* shares at an average price of 362p and a total cost of £43 million, prior to the "closed period" commencing at the end of December. The share buy back procedures represented a natural response to the discounts to net asset value at which the group's shares were trading, produced a significant increase in net asset value per share for the remaining shareholders, without unduly stretching the group's resources.

Renewal of the authority to buy back shares will again be sought at the 2000 Annual General Meeting.

Shopping centres 1999 saw the opening of our major new shopping centre development – the out-of town Braehead Shopping Centre, Glasgow – which proved an immediate success. The other major shopping centre *development, the Chimes, Uxbridge, a £150 million development,* progressed encouragingly during the year for its anticipated opening in Spring 2001. In addition, CSC is working, inter alia, on an attractive development prospect in Oxford to sustain its steady pipeline of activity once the Uxbridge project is complete.

Commercial property Capital & Counties continued to demonstrate the benefits of its highly focused and disciplined approach.

During the year Capital & Counties completed the successful disposal of its Australian operations with an exceptional profit on disposal before taxation of £6.1 million, further focusing the group's activities on core areas where it has a competitive edge, primarily in the West End of London, the South East of England and in specific sub-markets in California, USA.

The return on capital employed by Capital & Counties in 1999 including revaluation surpluses referred to above amounted to 22% (1998 - 20%), another year of exceptional performance.

Financial services With the continuing success of the group's property activities, the Board concluded in 1999 that further expansion of the financial services activities by way of major acquisition could not be justified in current market conditions and the group should focus its energies primarily on the outstanding opportunities emanating from the property sector. Further, in 1999, Liberty International was reclassified on the London Stock Exchange from 'Other Financials' to 'Real Estate', reflecting the predominance of the real estate activities of both listed companies comprising the Liberty International group.

Nevertheless, the current financial services activities, while representing only some 3% of group capital employed, continued to develop promisingly, with revenues increasing from £2.5 million to £7.8 million and the operating loss, as the businesses look to expand from a standing start to a scale where profitability is attainable, reduced from £4.9 million to £3.2 million. The organic development of these activities is not precluded by the group's increasing property focus.

One interesting development in the year was the launch, with an initial £50 million investment by Liberty International, of the Portfolio Property Fund, a unit trust aimed at retail investors, specialising in UK property and property shares. The fund, which is managed using in-house resources, represents an example of the synergies available between the property and financial services activities.

Directorate and officers John Saggers, Managing Director of Capital & Counties, was appointed a Director in December, a well-merited appointment giving recognition to the excellent results of Capital & Counties over the last five years. He brings invaluable additional property expertise into the Liberty International boardroom.

Jim Sutcliffe resigned as a Director in November, in the light of the group's reducing focus on financial services activities. We thank him for his contribution since his appointment in March 1998 and wish him well for the future.

The group's Company Secretary, Jeremy Bottle, retired in January 2000 after nearly 30 years' service with the group, the last 17 as Company Secretary. I would like to record the group's special appreciation for his loyal and dedicated service over this long period.

Financial markets and property environment If 1998 has been remembered as the year of the Russian crisis, 1999 will be remembered as the year of the technology share price explosion with the US NASDAQ index rising by 85% in the year and the NASDAQ 100, predominantly representing the largest technology and communications shares, rising by a massive 102% in the year. Fundamental valuation principles no longer appeared to be of any consequence to investors as the market chased growth at any price and by any irrational definition of the growth concept. This unique and widespread mania has continued with greater momentum into 2000 with even supposedly conservative investors joining the inexplicable chase for short term gain, which in the medium term can only result in disaster.

Equity valuations in the US have looked significantly stretched for some time. For example, the US Standard & Poor's 500 Index, which rose by 19.5% in 1999, stood at the year end on a challenging price/earnings multiple and a dividend yield of less than 1%. Such traditional measures of value have long since ceased to have relevance on the NASDAQ 100 where a high proportion of the companies are loss-making and likely to remain so for many years, and in many cases permanently.

In my business experience involving extensive exposure to financial markets for over 40 years, the technology stock market surge in 1999 and into 2000 is the largest bubble I have ever witnessed, with the only big unanswered question being whether the fallout, when it inevitably comes, will merely be restricted to the technology sector, or have additional implications for the investment industry or even wider repercussions involving the very integrity of the entire Western economic infrastructure.

In the UK the FTSE 100 rose by a more modest 18% in the year, while the FTSE 250 of which Liberty International is a constituent rose by 33%. Frustratingly, as investor attention during the year progressively focused on perceived "growth" opportunities in telecoms, media and technology, the property sector began to appear to investors as of limited importance in the new technology paradigm. Despite a brief surge early in the year, the larger property stocks as measured by the FT 350 Real Estate index increased by a paltry 7% over the year. Even this gain has been dissipated since the year end. With most leading property companies again recording strong underlying property valuation growth, it is estimated that the sector market price discount to net asset value was by year end around 30%. In the case of Liberty International, the share price in the year rose marginally from 453p to 458p and the discount to underlying net asset value had increased to around 35%, admittedly ignoring any adjustment for contingent capital gains tax which at worst would stretch long into the future and be diluted by indexation linked to retail prices.

Discounts to net asset value at this level have typically only prevailed in the UK property sector in times of deep recession when asset values were falling or uncertain or when the very solvency of property companies might be in doubt. Neither of these circumstances remotely existed at the 1999 year end. The UK economy has in fact, against some analysts' expectations at the beginning of 1999, put in a strong *performance. While interest rates were rising modestly by the year end, this* only represented a correction of the exceptionally low levels available at the end of 1998. These rates as yet pose no threat to economic growth generally, nor specifically to the Liberty International group where floating interest rates have been effectively fixed below 7% well into the future by the sophisticated utilisation of long term interest rate swaps, covering a period of at least ten years and beyond.

Furthermore, the UK direct property market was strong during 1999 with UK institutions in general looking to increase their direct weighting in tangible property assets. This is not surprising as yields on prime quality investment property looked compellingly attractive compared with the yield on the All Share index of 2.1% and on long dated gilts of under 5% at the end of 1999.

Future plans and prospects With discounts to net asset value in the UK quoted property sector prevailing at current levels, it is easy to become overly pessimistic and reflect on whether the property company format any longer has relevance to institutional investors, who apparently prefer either direct property investment or transparent pooled vehicles. In Liberty International's view such pessimism is totally unfounded. The quoted property company has many advantages, including a flexible capital structure with gearing, the ability to access capital markets efficiently and a format which attracts entrepreneurial management.

Liberty International has exemplified these benefits and our total return of 21% per annum compound for the last five years demonstrated an extremely favourable level of wealth creation compared with direct property investment which produced a total return (before tax) over the last five years of 10.8% per annum, as measured by Investment Property Databank ("IPD") monthly index, the now widely accepted benchmark for UK property performance. We see every reason why Liberty International should continue to outperform such measures and provide a valuable alternative to direct property investment.

Our property strategy is clear for the years ahead;

- concentrate on our strengths in regional shopping centres through CSC and our prime commercial property specialisations within Capital & Counties;
- avoid commodity-like products; focus on high quality assets with attractive competitive characteristics, particularly in limited supply, notably well located UK regional shopping centres, and ensure these products continue to meet and exceed the requirements within their marketplace;
- concentrate on situations where active management can add value, whether a completed property or a development opportunity;
- focus on larger and therefore usually more complex transactions where the scope to add value is greater;
- employment of a skilled and entrepreneurial management team, rewarded appropriately;
- take advantage of the increasingly wide range of financing options now available, including, inter alia, syndication, securitisation, joint ventures and share buy backs to improve return on capital;
- maintain a strong financial position at all times to give the flexibility to take advantage of attractive opportunities at short notice;
- above all, relentless focus on total return on capital as the measure of success.

Given the quality of our assets, in particular our pre-eminent position in the regional shopping centre industry in the UK, our strong financial position, our dedicated management teams and clear strategic direction, I have no doubt that Liberty International can continue to build on its successful track record in the years to come.

Donald Gordon Chairman
28 February 2000

Review of operations

Pages 10 to 27 contain the annual review of the group's operations; the two property businesses, Capital Shopping Centres and Capital & Counties, followed by financial services activities.
The review concludes with a report from the group's Finance Director on pages 28 to 30.

David Fischel Managing Director

CSC's portfolio of 10 regional shopping centres includes three of the UK's leading out-of-town centres – Lakeside, Thurrock; MetroCentre, Gateshead; and Braehead, Glasgow.

CSC focuses on regional shopping centres which dominate their catchment area. The majority of CSC's 10 shopping centres rank in the UK's top 20.

CSC actively manages each shopping centre as a business in a manner quite distinct from the conventional landlord/tenant approach. The use of turnover-related rents is an important tool in successful tenant mix management.

Results for the year CSC, in which Liberty International has a 74% interest reported profit before taxation increased by 7% from £87.1 million to £92.9 million, primarily as a result of 7.5% growth in property investment income from £106.9 million to £114.9 million.

Net assets per share (fully diluted) increased by 16% from 451p to 524p per share. The improvement in net asset per share together with dividends net of tax provided a total return to shareholders for the year of 19%.

CSC regional shopping centre portfolio, including investments and developments, increased from £2.47 billion to £2.97 billion after a valuation surplus of £297 million and expenditure of £170 million on developments and £28 million on completed centres.

Valuations A notable feature of the year's valuation surplus was the first time valuation of the Braehead Shopping Centre at £407 million, representing a surplus of £118 million, a 41% return on development expenditure of £288 million.

The property market generally, and the prime shopping centre market in particular, continued to be in demand by investors throughout the year. CSC's shopping centre portfolio benefited from further improvements in equivalent yields of the order of around 0.2%. These improvements in equivalent yields represented some 44% of the valuation surplus for the year. In a difficult year for retailers, and therefore sentiment, it is testimony to the strength of CSC's shopping centres that rental values also contributed strongly to this valuation growth making a contribution of some 56 per cent to the 8% increase on a like for like basis in the value of the completed shopping centre portfolio.

Lakeside, Thurrock, recorded a gross valuation uplift before capital expenditure of some £44 million, an increase of 5.25%, reflecting its unique strength, resilience and potential. Notwithstanding the pressure of competition and its effect on trading, over 32% of the valuation increase was derived from rental value growth with the balance from the change in the equivalent yield.

At the interim stage, CSC published both the valuation equivalent yields and the true equivalent yields for the investment portfolio as calculated by CSC's external valuers, respectively representing the valuation of cashflows annually in arrears and quarterly in advance. This latter basis, the true equivalent yield, better represents the valuation of cashflow giving a true comparator of property as an asset class with other competing investment opportunities.

£2.97bn

represents the aggregate of CSC's investment and development portfolio, rapidly approaching the £3 billion mark, a substantial rate of growth from £750 million at the time of flotation in March 1994.

The new Lakeside bridge link to Chafford Hundred railway station will be fully operational in May, providing both shoppers and staff with easy access through the railway network and opening up the heartland of Lakeside's catchment.

Picture removed

Picture removed

Braehead at the end of the trading day at 9pm; light, airy and spacious – designed for the comfort of the visitor.

Active management CSC's management of tenant mix is a key ingredient in the success of its shopping centres and for retailers. In the previous two years, 1997 and 1998, some 18% of retailers in our centres were changed, moved, or were enabled to expand. The company entered 1999, following this dynamic period of change, with a vibrant tenant mix reflecting the diversity and energy of UK retailers. Demand to be represented, or expand, in CSC's centres continues unabated. At Lakeside there have been 26 tenant changes in 1999, confirming headline rents and providing a clear expression of confidence by retailers in Lakeside.

The continuing low level of void units also illustrates retailers' confidence in CSC's centres generally. CSC ended the financial year with 15 voids throughout the portfolio, representing 0.4% of gross rents and 0.3% of lettable space.

Investment Continuing investment in the portfolio is vital to support the active management of the shopping centres, to improve tenant mix and maintain the shopping centres at the forefront of quality. CSC seeks to ensure that opportunities to improve or add to the shopping centres in the portfolio are exploited to the full.

At Lakeside, Thurrock, the new 1,000 space multi-storey car park was completed in October 1999, and the pedestrian bridge to Chafford Hundred railway station is now in place awaiting its final link to the station to be opened in May this year. A further traffic agreement has been entered into to provide a new dedicated lane on the A13, from Junction 30 of the M25, targeted for completion for Christmas 2003, further improving access to Lakeside.

At the MetroCentre, Gateshead, the Public Inquiry was held in February 1999 into the company's plans to construct a new department store for Debenhams, unit shops and multi-storey car park to replace an obsolete former supermarket building and improve traffic circulation, with both enhanced and additional public transport facilities. The Secretary of State for the Environment, Transport and Regions has formally advised that he is minded to grant outline planning permission, subject to conditions, but excluding the multi-storey car park. CSC is considering the detail of this decision.

170,000,000

is the expected number of customer visits to CSC's shopping centres in a year, with Braehead on track to meet its customer flow targets in its first year of operation.

Development

Braehead The shopping and leisure centre at Braehead, Glasgow, opened to the public in September, and the initial trading period into the new year has been hugely successful, drawing large numbers of shoppers from a wide catchment, with a tremendous Christmas trading period. The centre is anchored by Marks & Spencer and Sainsbury's, provides an initial total of 800,000 sq.ft., 6,500 car spaces and an integrated bus station, and is effectively fully let, providing a high quality tenant mix of the best high street retailers.

The retail park adjoining the shopping centre comprises 260,000 sq.ft. of retail space and is due for completion in Spring 2000. 100% of the retail park income is committed by pre-lettings or solicitors' instructions.

Future phases of the Braehead development with a 1.2 mile frontage on the River Clyde adjacent to Glasgow and encompassing a total 165 acres have been the subject of master planning exercises with Glasgow and Renfrew Councils in order to achieve the comprehensive development of the entire area.

The Chimes, Uxbridge The development of the 420,000 sq.ft. shopping centre, The Chimes in Uxbridge, is on target and budget for opening in Spring 2001. The department store let to Debenhams is due to be handed over for shopfitting in April this year. Pre-lettings amount to 65% of the anticipated income and include the nine screen multiplex cinema let to Rank and other lettings to such retailers as BHS, Boots, Next, Gap, and the Arcadia Group.

Westgate Centre, Oxford A limited partnership has been formed with LaSalle to remodel and extend the existing prime Westgate Shopping Centre in Oxford. A proposal has been submitted to Oxford City Council, owners of the freehold interest in the Westgate Centre and the extension site, and a planning application is expected to be lodged shortly to provide additional retail space of 220,000 sq.ft., in a mixed use development including a new department store, a replacement car park of 1,400 spaces, an integrated public transport hub, residential and offices.

Liberty International's investment in CSC Liberty International's investment in CSC of 293.2 million ordinary shares and £104.7 million nominal of CSC 6.25% subordinated convertible bonds 2006 was unchanged during the year, although the percentage holding of CSC's ordinary share capital increased from 72% to 74% because of the share buy backs and cancellation undertaken by CSC during the second half of the year.

The attributable net asset value of Liberty International's investment in CSC increased in the year from £1,450 million to £1,684 million, representing 76% of Liberty International's shareholders' funds.

Graph removed

Graph removed

Summary of Capital Shopping Centres PLC investment property valuations

	1998 Valuation equivalent yield %	1998 Open market value £m	1999 Capital expended during year £m	1999 Transfer from develop-ment £m	1999 Re-valuation surplus £m	1999 Open market value £m	1999 Valuation equivalent yield %	1999 True equivalent yield %	1999 CSC's interest %
Lakeside, Thurrock	5.90	844.6	16.6		27.8	889.0	5.70	5.91	100
MetroCentre, Gateshead	6.00	601.0	8.2		73.8	683.0	5.65	5.85	90
The Harlequin, Watford	6.00	321.0	0.8		40.7	362.5	5.75	5.96	93
The Glades, Bromley	6.00	171.1	1.6		10.3	183.0	5.80	6.18	63.5
Eldon Square, Newcastle upon Tyne	6.10	91.9	0.1		7.1	99.1	6.00	6.24	30
Victoria Centre, Nottingham	6.24	49.2	0.9		5.3	55.4	6.00	6.23	20
The Ridings, Wakefield	8.06	28.8	0.1		2.7	31.6	7.81	8.19	*
The Potteries, Hanley, Stoke-on-Trent	6.00	66.3	–		7.6	73.9	5.90	6.18	35
		2,173.9	28.3		175.3	2,377.5			
Braehead, Glasgow		n/a	–	288.4	118.2	406.6	5.91	6.12	100
Titanium House, Braehead, Glasgow		n/a	–	4.0	–	4.0	7.85	8.21	100
		2,173.9	28.3	292.4	293.5	2,788.1			
Developments†		237.7	170.3	(292.4)	–	115.6	at cost		
		2,411.6	198.6	–	293.5	2,903.7			
Investment in UK Prime		62.1	–	–	3.5	65.6			
		2,473.7	198.6	–	297.0	2,969.3			

*CSC's interest in The Ridings, Wakefield, comprises a 28.6% interest in the main scheme and 100% in All Saints Walk.
†At 31 December 1999, developments comprise The Chimes, Uxbridge, and Phase 2, Braehead.

	Rent review pattern					Lease maturities by unit				
	Units 2000	Units 2001	Units 2002	Units 2003	Units 2004	0-5 years	5-10 years	10-15 years	Over 15 years	Total
Lakeside, Thurrock	100	39	33	38	28	47	15	48	191	301
MetroCentre, Gateshead	23	31	56	30	34	37	9	257	6	309
Braehead, Glasgow	–	–	–	–	105	–	–	102	5	107
The Harlequin, Watford	16	39	40	15	17	13	13	34	89	149
The Glades, Bromley	12	48	26	19	17	12	6	34	80	132
Eldon Square, Newcastle upon Tyne	12	20	15	20	9	57	18	46	28	149
Victoria Centre, Nottingham	18	6	32	20	18	25	24	52	16	117
The Ridings, Wakefield	9	16	10	28	21	15	41	31	11	98
The Potteries, Hanley, Stoke-on-Trent	5	9	8	43	9	12	9	58	19	98
	195	258	220	213	258	218	135	662	445	1,460
Total retail units	13%	18%	15%	14%	18%	15%	10%	45%	30%	100%
CSC rental income	19%	24%	16%	12%	22%	5%	4%	49%	42%	100%

Capital & Counties is focused on providing strong shareholder returns from a high quality commercial and retail portfolio with growth potential, judicious development and opportunistic trading in locations and sectors the company knows well.

The UK investment portfolio is concentrated on London's West End (34%), the South East of England, particularly M25 locations (21%), and retail/leisure in major UK cities (25%).

16% of the portfolio is in California, USA, where Capital & Counties invests in clearly defined sub-markets.

22%

is the total return achieved by Capital & Counties in 1999, matching that of the Liberty International group as a whole.

Capital & Counties 1999 has been another year of considerable progress for the company. Increased concentration and improvement in quality of the investment portfolio has continued both in the UK and the US, and more detail on those activities is set out below. A strategic and timely decision was taken early in the year to dispose of the interest in the Capcount Property Trust in Australia together with the Trust's local management company. That disposal raised a total of £70 million and a £6 million exceptional profit over book value. Shareholders' funds of Capital & Counties have increased in 1999 from £394 million to £470 million (after a dividend payment to Liberty International of £11.6 million). Total return on shareholders' funds for the year was 22%.

Valuation Capital & Counties' portfolio revaluation at the end of 1999 showed a surplus of £70.2 million over values at the end of 1998. In the UK the surplus was 11.4% (£62.4 million) and in the US 8.4% (£7.8 million) excluding certain US properties purchased just before the year end.

Particularly strong performance came from the West End and M25 portfolios and it is encouraging to see the US portfolio now beginning to perform satisfactorily as a result of strategic rebalancing. Income yield from UK investment properties in 1999 was a healthy 7.9% and voids are currently only 1.3% of the UK portfolio.

United Kingdom

Portfolio strategy The review of operations in 1998 indicated that the best medium term performance was anticipated from investment in established markets with proven demand from *a wide and deep spectrum of tenants.*

During 1999, Capital & Counties continued to reshape and refine the portfolio in pursuit of this philosophy.

The core investment locations in which the company is now invested are:

- West End and Mid Town offices and retail
- M25 and South East offices
- Retail/Leisure in major cities.

West End and Mid Town investments now represent over 40% by value of the £621 million UK investment portfolio. The office element has a specific concentration on multi-let properties, which not only reflects the nature of occupation in the West End but also provides regular asset enhancement opportunities. The company continues to enjoy a close involvement with its tenants. This enabled detailed research to be carried out in 1999 into occupiers' requirements and resulted in the establishment of a new provision by the company of a range of optional additional services to tenants.

26-40 Kensington High Street, London W8
Acquired in January 1999 and enhanced by active management, this investment has shown a total return of 27% during 1999. Further initiatives are in hand to enhance income, particularly from the refurbishment of offices, some of which have outstanding views over Kensington Gardens.

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Imperial Place, Borehamwood, a 124,000 sq.ft. office complex with One 2 One as the principal tenant. One 2 One are expanding fast, so after extensive negotiations and complex land assembly, planning consent was obtained in 1999 for a 125,000 sq.ft. extension to the existing building, which will enable One 2 One to consolidate all local operations in a single office complex.

£838m

is the aggregate of the investment and trading portfolio of Capital & Counties.

The purpose of this is to relieve tenants of the unwanted administrative burdens which normally accompany occupation of office suites and complements Capital & Counties' long established flexible letting policy for *office accommodation in Central London. Within the West End portfolio is* substantial prime retail valued at £105 million and located, for example, in Regent Street, Covent Garden, Piccadilly and Kensington, areas which have specifically benefited from the much increased vibrancy now evident in Central London.

The company has also concentrated on investment in and development of offices around the M25, in particular to the west of Central London. Almost all of these holdings have been developed by the company over the last ten years to a carefully researched specification which incorporates the occupiers' principal requirements of flexibility and quality. This specific market is not oversupplied with first class space and is of great attraction to occupiers not only because of its proximity to major routes and international airports but also because of its strong occupier and employment base in technology and communications industries.

The third core activity is investment in major off-prime retail investments in principal cities in the UK. The best town centre retail (and office) value growth will be achieved in those locations which can truly be described as "24 hour" cities with a complementary mix of offices, retail, leisure and recreational activities. The company's investments in Manchester, Liverpool, Oxford, Leeds and Cardiff fall within this category. Individual investments are substantial with an average lot size of £23 million.

Acquisitions and Disposals in 1999 A relatively small number of sales have been made. The sale of two City of London properties was completed in the year for a total of £15.8 million, almost completing the company's strategic withdrawal from that market. Two investments were purchased in the second half year. The first was a 50,000 sq.ft. office building in Clerkenwell, purchased for £11 million to reflect an equivalent yield of 8.3%. This area has seen major renaissance as a media location. A 28,000 sq.ft. office building in central Cambridge was also purchased for £6.4 million with an initial yield of 7.2% and strong expectations of rental growth in this undersupplied market.

Apart from these two properties (and the £25.4 million acquisition in January 1999 of 26-40 Kensington High Street mentioned in 1998's Report and Accounts) no other purchases have been made, as the current demand for *attractive investment opportunities has led to extremely competitive bidding* which Capital & Counties prefers to avoid.

Development The company's development programme comprises some 640,000 sq.ft. of consented office space located in the south east of the country, where demand has been, and we believe will continue to be, the strongest.

During 1999, Capital & Counties successfully completed the letting of Capital Point, the 53,000 sq.ft. office development in Slough. At Imperial Place in Borehamwood, the company's existing complex comprising 124,000 sq.ft. of offices will see the construction of a further 125,000 sq.ft. of space which has been prelet to One 2 One, who will take a 15 year lease on completion.

Other developments are planned at Uxbridge (59,000 sq.ft. offices and restaurant), Cambridge (90,000 sq.ft. prelet to the Secretary of State and 162,000 sq.ft. speculative B1 space) and Welwyn, where prelets are being sought for 185,000 sq.ft. office space on 10 acres. Efforts also continue to obtain a planning consent for residential and commercial uses on 28 acres at Junction 15 of the M40. At Bath, options have been secured over a strategically located 6 acre site and preletting discussions are in hand.

In the past year the decision was taken with the company's joint venture partner to dispose of the remainder of the holding at Dolphin Park, Thurrock. Planning consent for industrial and distribution use was obtained in 1998 and after major site reclamation work a profitable sale was completed of 37 acres for a 500,000 sq.ft. distribution facility. Just prior to the year end contracts were exchanged to sell a further 23 acres. Eight further acres are currently under offer.

The company's future development strategy will be to continue to search for opportunities in the areas perceived as having the strongest prospects for growth. The emphasis on partnership activities with public bodies, landowners, funds and others is likely to continue.

United States 1999 was an excellent year for the US operation, with total return on capital employed in the US for the year of 27% and an increase in assets from £89 million to £121 million. Portfolio occupancy finished the year at 96% versus year end 1998 occupancy of 93%. The results are a validation of the corporate strategy set in place in 1995, the core of which has been to direct our financial and human resources in a manner calculated to maximise the risk adjusted return on investments. Implementation of the strategy has resulted in the sale of smaller properties and properties with limited or no growth potential, narrowing geographic coverage to markets where the company has established local relationships and in-depth knowledge, and aggressively managing investment properties to maximise income and capital growth.

During the year one property was added to the investment portfolio. The Senator office building was purchased in August 1999. This 10-storey 171,000 square foot office investment is located directly opposite the State of California Capitol Building in Sacramento. Because of its adjacency to the state legislature the building enjoys a high-profile tenant roster including lobbyists, lawyers, associations and state-related entities.

We have also acquired a further property with significant value creation potential; the 90,000 sq.ft. Sanwa Bank Building in Pasadena. Negotiations are in hand for additional parcels which may form the basis of a major development opportunity.

Looking Forward As we enter the new millennium it is vital that the company continues to adapt to meet the challenges presented to property investment by the rapid evolution of e-commerce. This does not only relate to the need for conventional retail outlets to respond to developments in e-tailing. Also of importance are the opportunities within the office sector where the needs of occupiers for internet connectivity and bandwidth will offer the innovative building provider new openings to enable occupiers to obtain a competitive edge. We have instituted a number of projects to take advantage of this situation both in the UK and in the US.

One beneficial consequence of our investment in California is to expose the group to an environment which is in the vanguard of the immense changes which are taking place as a result of technological progress. It can be seen in the US and now in the UK that the Internet has already revolutionised business-to-business communication. Capital & Counties intends to ensure that the portfolio continues to adapt to meet the technological needs of occupiers as they evolve.

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Summary of Capital & Counties investment property valuations

Location	1999 Number of properties	1998 Net property income £m	1998 Open market value £m	1999 Net expenditure in period £m	1999 Revaluation surplus £m	1999 Open market value £m	1999 Net property income £m	1999 Revaluation surplus as % of value
West End	18	11.6	179.9	38.6	30.4	248.9	13.6	14
M25 and South East	12	9.6	120.5	19.2	16.6	156.3	10.0	12
Retail and leisure UK cities	9	12.7	168.3	2.4	14.1	184.8	12.9	8
Other	5	4.3	28.6	(9.6)	1.3	20.3	2.8	7
Total United Kingdom	44	38.2	497.3	50.6	62.4	610.3	39.3	11
United States	10	9.4	88.6	24.9	7.8	121.3	8.6	7
Australia	1	8.9	104.3	(99.6)	–	4.7	3.8	–
Total	55	56.5	690.2	(24.1)	70.2	736.3	51.7	11

The Group's commercial property interests and net investment in Capital & Counties

	At 31 December 1999 £m	At 31 December 1998 £m
Investment properties – completed	736.3	690.2
Investment properties – development	11.0	19.0
Portfolio Property Fund	40.1	–
Total commercial investment properties	787.4	709.2
Trading properties	51.0	48.6
Total commercial properties	838.4	757.8
Less Portfolio Property Fund	(40.1)	–
Debentures and other liabilities	(328.7)	(363.6)
Group net investment in Capital & Counties	469.6	394.2

Financial services

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Financial services continued their steady expansion with turnover of £7.8 million (31 December 1998 – £2.5 million) and premium income in the pensions business of £506 million (31 December 1998 – £209 million). The increased activities produced an operating loss of £3.2 million (1998 – £4.9 million) as the group continues to invest in their establishment phase in order to reach a scale where profitability is attainable.

Total assets under management of Liberty International at 31 December 1999 (including investment properties of £3.8 billion and investment properties managed for third parties of £0.8 billion) increased substantially to £9.6 billion (31 December 1998 – £7.6 billion).

Portfolio Portfolio Fund Management, the group's unit trust manager, had an active twelve months in which funds under management grew from £111 million to £402 million. The period included the acquisition of the Pilgrim Group with funds of £30 million under management, the acquisition of a range of pension unit trusts with £135 million under management, which significantly broadened the client base of the Portfolio business, and the launch of the Portfolio Property Fund. The latter represents a promising development exploiting an area of synergy between the property and financial services activities of the group and offering unit trust investors the opportunity to invest in quality commercial property. As a result of this expansion, Portfolio, which was acquired by Liberty International in 1996 when its funds under management were £20 million, has now moved into modest profitability. Investment performance in 1999 was exceptional with many of Portfolio's funds placed in the top quartile of their sector, which should bode well for future sales.

Liberty Ermitage Liberty International Jersey was launched in 1996 to provide a range of offshore investment products. In October 1998, the group acquired a 40% interest in the Ermitage group, which specialises in hedge fund and fund of funds strategies, using managers with proven track records. This 40% interest was increased at the end of 1999 to 100% and the entire offshore group has now been renamed as the Liberty Ermitage group.

The offshore group has a headcount of 52 with operations in Bermuda, Jersey, Luxembourg and London. Assets under management have grown from $1.6 billion to $1.9 billion, split between Standard & Poor's AAAm rated money funds ($830 million), conventional long-only equity and bond funds ($550 million) and alternative, absolute return based strategies, hedge funds in popular parlance, ($520 million).

Alternative investing is Liberty Ermitage's key focus for 2000, driven by a specialist hedge fund manager research capability established in 1999 specifically to focus on this complex and under-researched but attractive asset class. This facility positions Liberty Ermitage to:

- produce a range of in-house funds and investment products capable of generating superior risk-adjusted returns through conservative, absolute return based strategies
- assist other financial institutions to create "own branded" products in the alternative investment arena
- where appropriate, sponsor fund managers who have established outstanding investment track records with major financial institutions and wish to upgrade to the more challenging hedge fund investment environment.

Liberty Ermitage has also built a substantial fund administration operation in Luxembourg, not only to administer group funds registered in Jersey, Luxembourg, Bermuda and British Virgin Islands but also to offer specialist administration services for third party alternative investment products in the offshore market.

1999 was an important year in absorbing the Ermitage acquisition and ensuring the offshore group has the firm foundations in place to take advantage of significant opportunities in the field of alternative investment.

Liberty Pensions Liberty International Pensions, the group's 80% owned *specialist pensions company was established in 1997 to address the needs* of the institutional pensions market. It continued to demonstrate significant progress in 1999 with further quality client mandates for group personal pensions ('GPPs'), continued inflow of funds into the Hermes Liberty index-tracking joint venture and new clients for the defined contribution administration services now offered by the company.

The Government's announcement of Stakeholder pensions at the end of 1998 injected some uncertainty in 1999 into the market for defined contribution pensions. However, the overall trend towards defined contribution pensions showed no sign of slowing and the uncertainty appeared to be lifting by the end of 1999 as more detailed provisions emerged and Stakeholder pensions approach their scheduled launch in April 2001. In particular, the Government's recent announcement confirming that high quality GPPs will give employers exemption from the requirement to provide access to a stakeholder plan means that there is now no reason for employers to delay introducing a GPP in advance of the final stakeholder legislation. Liberty Pensions is well placed to capitalise *on these new opportunities and confident of achieving the goal of becoming* the defined contribution service provider of reference to the institutional pensions market.

Group financial review

Key statistics for 1999 (1998)

- Total shareholders' funds £2,230 million (£2,015 million)
- Total shareholders' funds including minorities £2,832 million (£2,614 million)
- Gross debt £1,098 million (£1,003 million)
- Cash balances £260 million (£487 million)
- Net debt £838 million (£516 million)
- Gross gearing 39% (38%)
- Net gearing 30% (20%)
- Facilities available for more than 2 years £520 million
- Interest rates on group debt fixed for more than 10 years
- Interest cover 4.3 times (5.3 times)
- Dividend cover 1.2 times (1.2 times)

The results for the year are commented on in the Chairman's Statement and discussed in detail in the Review of Operations. This review therefore focuses on financing.

Debt and cash balances The increase in gross debt in 1999 is primarily as a result of net expenditure on investment properties of £191 million. Cash balances reduced over the period primarily as a result of repayment of debt acquired under the group reorganisation and the repurchase and cancellation of shares.

During 1999, CSC issued through the capital markets a £150 million Eurosterling Bond at a coupon of 5.75% maturing in 2009, again demonstrating CSC's ability to access the capital markets without financial covenants. The proceeds of the bond were utilised in the completion of the first phase of the Braehead development and funding for the Uxbridge development.

In June 1999 the long term loan facility secured on The Harlequin, Watford, which matures in 2016, was increased from £120 million to £172.5 million on highly competitive terms.

CSC continues to enjoy strong corporate credit ratings from Standard & Poor's at "A" (stable outlook) and Fitch IBCA "A Plus". These ratings are unparalleled within the UK listed property sector.

Gearing and financing principles The group finances its activities through a mixture of equity and debt. The group's policy is to maintain a prudent level of overall gearing. The group has maintained significant short-term deposits and undrawn bank facilities which are available for making acquisitions. Asset purchases are initially funded by short-term bank debt and/or from cash resources. However, the group believes that long term investments should be financed by long-term debt or by equity. The group generally aims to avoid undue dependence on short-term bank debt by refinancing with longer term debt, preferably when market conditions are favourable. By separating the acquisition of assets from the financing of those acquisitions the group believes it is better able to achieve attractive prices for both the financing and the acquisition.

The policy of the group is to raise debt primarily at the operating company level and so, with the exception of the Liberty International Convertible Bond, the debt in the balance sheet relates entirely to the two property companies. These borrowings are predominantly long-term and at fixed rates. The group enters into derivative transactions such as interest rate swaps and forward foreign exchange contracts in order to manage the risks arising from the group's activities. The main risks arising from the group's financing structure are interest rate risk, liquidity risk and market price risk, both in respect of interest rates and foreign exchange. The policies for managing each of these risks and the principal effects of these policies on the results for the period are summarised below.

Interest rate risk Group debt carries both fixed and floating interest rates. Bank debt is typically at floating rates linked to LIBOR for the relevant currency and bond debt and other capital markets debt is generally at fixed rates. The group's policy is to eliminate substantially all exposure to interest rate fluctuations in order to establish certainty over long term cash flows.

Liquidity risk The group's policy is to minimise refinancing risk. At 31 December 1999 the maturity profile of group debt showed an average maturity of 13 years. A minimal amount of debt matures in the next twelve months and less than 6% of group debt falls due for repayment within five years. The group will often pre-fund capital expenditure by drawing on facilities or raising debt in the capital markets placing surplus funds on deposit until required for the project. Efficient treasury management and strict credit control minimise the costs and risks associated with this policy which ensures that funds are available to meet commitments as they fall due. Undrawn facilities are detailed in note 19 on page 59.

Market price risk The group is exposed to market price risk through interest rate and currency fluctuations.

Interest rates As explained above, the group's policy is to substantially eliminate market price risk in respect of changes in interest rates such that changes in interest rates over the longer term will have little or no impact on reported profits. As a consequence the group is exposed to market price risk in respect of the fair value of its fixed rate financial instruments. The effect of this exposure is disclosed in note 19 on page 58.

At 31 December 1999, 80% of group debt was at fixed rates and of the balance of £214 million, £200 million was covered by long-term interest rate swaps. Substantially all current group debt is therefore at rates which are fixed for more than 10 years. Further interest rate swaps have been entered into with starting dates in 2000 which increase the level of cover to £320 million at an average reference rate of 6.21% (see note 19 on page 59). These swaps anticipate increased borrowings to fund the capital expenditure programme of CSC. Forward starting interest rate swaps amounting to £100 million have been entered into for the period from March 2009 to March 2029 at an average reference rate of 4.77%. These swaps effectively secure the rate at which a portion of CSC's £150 million Eurosterling bond can be refinanced at maturity in March 2009. Short-term cash and deposits are earmarked for acquisitions and to meet commitments under the capital

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expenditure programme. The group invests surplus cash balances on strict credit criteria which are regularly reviewed by the Liberty International Board. The group, through its Jersey subsidiary, operates the Liberty International *Money Funds which are rated* AAAm *by Standard & Poor's. Surplus cash* is invested both in the money funds and in short-term deposits and other financial instruments. Derivative instruments are used to manage exposures to short-term interest rate fluctuations on the returns from these investments.

Foreign exchange The group holds investments in the US and Australia and holds cash investments denominated in Euro. The group seeks to minimise market price risk in respect of foreign exchange movements. The group's policy is to significantly hedge the opening net investment in non-sterling assets. For the US investment this is done by matching borrowings in US dollars and for the Australian investment this was achieved through entering into cross-currency interest rate swaps. Euro investments are hedged through forward foreign exchange contracts.

While the gross value of the assets and liabilities denominated in foreign currencies may fluctuate as a result of translation differences, there will be compensating movements in reserves resulting from the hedging transactions.

The opening net exposure to foreign currencies was US$10 million and AU$ 41 million. During the year the investment in Australia was reduced to AU$ 21 million with the disposal of Capcount Property Trust. The appreciation in sterling against the Australian dollar up to the date of receipt of proceeds generated an exchange gain of £1.8 million on translating the profit on disposal which would not have arisen if the assets had been fully hedged. The residual investment has been fully hedged since August 1999. The net exposure to US dollars increased to US$ 34 million at 31 December 1999 as a result of *appreciation in the value of the underlying investments. During the period* sterling weakened against the US dollar resulting in gains on the opening net investment. It is not currently anticipated that the opening net investment in US dollars will be fully hedged unless sterling depreciates by more than 10% from its year end level. During the year the group invested some of its surplus cash in the Euro Class of the Liberty International Money Funds. This investment has been hedged using forward foreign exchange contracts so that the returns achieved are commensurate with sterling interest rates and there is no exposure to exchange movements on the capital invested.

Aidan Smith Finance Director
28 February 2000

Share price history

Share price history since flotation 30 July 1992*

Year ended 31 December	Closing net assets per share pence	Closing share price pence	Year's high pence	Year's low pence
1992	274	239.0	244.0	162.0
1993	291	355.0	359.0	237.0
1994	315	329.0	467.0	329.0
1995	375	344.0	371.0	303.0
1996	436	430.5	431.0	328.0
1997	525	472.5	536.5	429.5
1998	589	454.0	620.0	430.0
1999	696	458.0	499.0	414.0

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Board of Directors

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Above from left:
Aidan Smith, David Fischel,
John Saggers and Farrell Sher.

* Member of the Audit Committee
† Member of the Remuneration Committee
‡ Member of the Nomination Committee
ø Chairman's Committee

Executive Chairman

Donald Gordon‡ø D Econ Sc(hc)(Wits) Age 69
Appointed a Director in 1981 and Chairman in 1986. He was founder Chairman of the Liberty Life Group (formerly the controlling shareholder of Liberty International), and following his retirement as Chairman in June 1999, is now Honorary President for life of Liberty Life. He is Chairman of Capital Shopping Centres PLC and Capital & Counties plc.

Executive Directors

David Fischel‡ø Managing Director Age 41
Joined Liberty International in 1985, appointed a Director in 1988 and Managing Director in 1992. Director of Capital Shopping Centres PLC, and other companies in the Liberty International group, and a non-executive director of Standard Bank London Limited.

Farrell Sher Executive Director Age 55
Appointed a non-executive Director of the company in 1994 and in 1997 an Executive Director in charge of legal and corporate affairs. Director of other companies in the Liberty International group.

Aidan Smith Finance Director Age 40
Joined Liberty International in 1986. Appointed Financial Controller in 1990 and Finance Director in 1998. Finance Director of Capital & Counties plc.

John Saggers Executive Director Age 53
Joined the Group in 1973. Appointed an executive Director of Capital & Counties plc in 1985 and Managing Director in 1994. Appointed an Executive Director of Liberty International on 13 December 1999.

Non-executive Directors

Roy Andersen Age 51
Appointed a non-executive Director in 1997. Deputy Chairman and Group Chief Executive of the Liberty Life Group and a director of Standard Bank Investment Corporation Limited. Formerly President of the Johannesburg Stock Exchange and Chairman of Ernst & Young, South Africa.

Robin Baillie*†‡ø Age 66
Appointed a non-executive Director in 1988. Chairman of the Remuneration Committee of Liberty International. A non-executive director of Capital & Counties plc. A non-executive director of Henderson PLC and Chairman of Invesco Asia Trust PLC. Formerly Managing Director of Standard Chartered Merchant Bank and Chairman of Wren PLC.

Robin Buchanan*†‡ø Age 47
Appointed a non-executive Director in 1997. UK Senior Partner and Director of Bain & Company Inc., the global strategy consultants.

Graeme Gordon Age 36
Appointed a non-executive Director in 1996. A non-executive director of Capital & Counties plc and Portfolio Fund Management Limited.

Lord Newall Age 69
Appointed a non-executive Director in 1990. A member of The Council of Europe and Western European Union.

Michael Rapp*†‡ø Age 64
Appointed a non-executive Director in 1986. Deputy Chairman of Capital & Counties plc, a non-executive director and Deputy Chairman of Capital Shopping Centres PLC and a director of the Liberty Life Group and Standard Bank Investment Corporation Limited.

Lord Renwick Age 62
Appointed a non-executive Director in 1996. Deputy Chairman of Robert Fleming Holdings Limited. Chairman of Fluor Daniel and a Director of British Airways, Compagnie Financière Richemont, Billiton plc, South African Breweries plc, Canal Plus and Harmony. British Ambassador to the United States (1991-95) and to South Africa (1987-91).

Phillip Sober*†‡ø Age 68
Appointed a non-executive Director of the company in 1983. Chairman of the Audit Committee of Liberty International and a non-executive director of Capital & Counties plc and Capital Shopping Centres PLC. A consultant and formerly Senior Partner of BDO Stoy Hayward, Chartered Accountants. A former Crown Estate Commissioner.

Conrad Strauss Age 64
Appointed a non-executive Director in 1995. Chairman of Standard Bank Investment Corporation Limited and a director of the Liberty Life Group and South African Breweries plc.

Corporate governance

The company is committed to high standards of corporate governance throughout the group. The company is required to comply with "The Combined Code – Principles of Good Governance and Code of Best Practice" ("the Combined Code") which was appended to the London Stock Exchange Listing Rules in 1998. The Combined Code consolidated and replaced the previous Cadbury/Greenbury/Hampel Reports.

The Board is accountable to the company's shareholders for good governance and the information and statements below describe how the principles identified in the Combined Code are applied by the company.

The company's corporate governance procedures, which were adopted by the Board and subsequently have been reviewed and updated, are designed to enable the company to comply with the Combined Code. The procedures define the duties and constitution of the Board and the various Board Committees and, as appropriate, specify responsibilities and levels of responsibility.

Statement of compliance The Board believes, based on the information below (together with the statements and procedures referred to in the Report on Directors' Remuneration on pages 35 and 36) that, other than as indicated below, the company has applied, throughout the accounting period, the principles and complied with the provisions set out in Section 1 of the Combined Code.

The principal corporate governance procedures are summarised as follows:

The Board The Board is comprised of the Chairman, Mr Donald Gordon, four Executives and nine non-executive Directors including five non-executive Directors, Mr R.A.M. Baillie, Mr R.W.T. Buchanan, Lord Newall, Lord Renwick and Mr P. Sober, who are fully independent of management and the company's major shareholders. Biographies of the Board members appear on page 32. The differing roles of the Chairman (which, from 1 July 1999, is regarded as an executive one) and the Managing Director are recognised by the Board.

Following a change in the Articles of Association approved at the 1999 Annual General Meeting, Directors are subject to retirement and re-election by shareholders in accordance with the Articles of Association whereby all Directors are required to submit themselves for re-election at least every three years. This is in full compliance (which prior to that date had not existed) with the Combined Code requirements.

The Executive Directors have service contracts which have a notice period of 12 months. Non-executive Directors are appointed for three year periods and their continuous service thereafter is subject to review by the Board. Mr Robin Baillie was appointed as Senior Independent Director on 5 February 1999; prior to that date the Board had considered that such an appointment was not appropriate.

The Board is responsible to all shareholders for the effective control and proper management of the Liberty International group; it determines group strategy and policy, acquisitions and disposals, the approval of major capital expenditure projects and consideration of significant financial matters.

The Board meets quarterly to consider information previously agreed with, and requested from, management which is supplied on a timely basis to enable it to discharge its duties. Additional meetings are arranged when necessary.

Principally via the Executive Directors, the company seeks to develop regular dialogue, via meetings with individual institutional shareholders and constructive liaison with private shareholders who have the opportunity to attend and put questions at the company's Annual General Meeting.

Membership of the main Committees of the Board is indicated on page 32.

The Chairman's Committee This Committee comprises the Chairman, Managing Director and four non-executive Directors. It is responsible for the development of strategy and policy proposals for consideration by the Board and the implementation of the Board's directives thereon, dealing with delegated matters between Board Meetings.

Audit Committee This Committee comprises four non-executive Directors (three of whom are independent) and is chaired by Mr Sober. The Audit Committee is responsible for maintaining a sound system and monitoring the adequacy of the group's financial and internal controls, risk management accounting policies and financial reporting, for providing a forum through which the auditors report to the non-executive Directors and ensuring the provision of information to enable the Board to present a balanced and understandable assessment of the company's position and prospects.

Nomination Committee This Committee comprises the Chairman and Managing Director and a minimum of two non-executive Directors and is responsible for making recommendations to the Board on any appointment to the Board.

Remuneration Committee This Committee now comprises four non-executive Directors, Mr D. Gordon having stepped down from the Committee following the change in the Chairman's role in 1999. The Committee is chaired by Mr Baillie. The Committee's primary responsibilities are to determine the remuneration packages and other terms and conditions for Executive Directors and other Senior Executives of the group and the provision of incentivisation and performance related benefits to any Executive Director or employee. The Report on Directors' Remuneration is set out on pages 35 to 37.

Internal control The Board is responsible for the group's systems of internal controls and for reviewing their effectiveness. The Board confirms that it has established ongoing procedures necessary to implement the Combined Code guidelines for internal control for identifying, evaluating and managing any significant risks faced by the group, and for the regular review of the systems of control by the Board. It has adopted for reporting purposes the transitional approach for the internal control aspects of the Combined Code as controls in place at year-end were not necessarily operational for all of 1999.

The Board recognises that such systems can only provide reasonable and not absolute assurance against material misstatement.

Internal financial reporting Key internal financial reporting procedures, which exist within the wider system of control, are described under the following headings:

Financial information The group has a comprehensive system for reporting financial results to the Board; each business unit prepares regular financial reports with comparison against budget. The Board reviews these for the group as a whole and determines appropriate action.

Major investments All major investments of the group are authorised by the Chairman's Committee, which is a properly constituted committee of the Board.

Group treasury The group has a centralised treasury function that reports to the Board on a regular basis. The reports provide details of counterparty, interest and foreign exchange risks. Additional information on this topic is given in the Group Financial Review on pages 29 and 30.

Operating unit financial controls Key controls over major financial risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of their exposure to major financial risks and the extent to which these risks are controlled. These assessments are considered and reviewed during regular internal audit visits.

The Board has conducted a review of the effectiveness of systems of internal financial control for the year ended 31st December 1999 and has taken into account material developments which have taken place since the year end. The review was performed on the basis of criteria set out in the Guidance for Directors "Internal Control and Financial Reporting" issued in December 1994.

Report on Directors' remuneration

The Remuneration Committee comprises Mr R.A.M. Baillie, Mr R.W.T. Buchanan, Mr M. Rapp and Mr P. Sober and is constituted under terms of reference and procedures laid down by the Board which are designed to enable the company to comply with the requirements of the Stock Exchange Combined Code ("the Code") on remuneration policy.

The terms of reference for the Remuneration Committee are to determine (subject to ratification by the Board) remuneration policy for the Executive Directors and for other Senior Executives of the group. In determining that policy, the Remuneration Committee has given full consideration to the best practice provisions of the Code and complied with the principles and provisions of the Code in developing remuneration policy which provides the benefits referred to below and which directly aligns the interests of Executive Directors and senior staff with the performance of the company and the interests of shareholders.

Remuneration policy for Executive Directors
The group aims to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefit packages which are linked to both individual and business performance. The components of the remuneration package are:

Basic annual salary and benefits:

Executive Directors and other staff salaries are reviewed annually having regard to individual performance, competitive market practice and comparable evidence of other companies in similar sectors. The main elements of the basic benefits are pension benefits, private health care and the provision of a company car or cash alternative.

Incentive performance related benefits:

Annual Bonus Scheme and Share Incentive Plan The company provides discretionary annual bonus arrangements for selected executives and staff which enables an element of any annual bonus awarded to an individual to be in the form of the award of shares in the company conditional on the individual remaining in employment for between three and five years. The cost of any annual bonus which may be provided under the annual bonus scheme, including the cost of shares acquired to meet share awards, is a maximum of 25% of the aggregate emoluments of eligible employees. The level of any annual bonus is determined by the Remuneration Committee dependent upon the achievement in the prior year of corporate results and objectives against pre-determined budgets and targets.

Details of the Executive Directors' individual bonus awards in cash and in shares under the Share Incentive Plan for the year ended 31 December 1999 are set out on pages 36 and 37. It is the company's policy to fund the company's Employee Share Ownership Plan ("ESOP") to enable it to purchase the shares which will be required under the Share Incentive Plan.

Share options Under the company's Incentive Share Option Scheme executives including Executive Directors may be granted options to acquire shares in the company, subject to achievement of a performance condition, at an option price which does not exceed market value at the time of the grant.
The performance condition requires dividend growth equal to or greater than 5% per annum (or, if greater in any year, 120% of the percentage increase in the Retail Price Index) over a minimum three year comparison period. An option may not be exercised until the performance condition has been satisfied. As a result of changes introduced in the 1996 Finance Act, in particular the £30,000 cap on the market value of shares which may be granted to an individual under the approved option schemes, which restricted the company's ability to use the alternative Approved Share Option Scheme 1987, that Scheme was allowed to lapse when its original 10 year life expired in 1997.

Options held by Directors over ordinary shares are set out in note 31 on page 66.

Long Term Incentive Plan ("LTIP") The LTIP, as previously approved by shareholders, involves the making of conditional awards of shares to selected senior executives, with the release of those shares being dependent upon the achieving of demanding corporate performance targets over a subsequent minimum three year period of the executive's service. The market value of shares conditionally awarded to a participant in any year shall not exceed 80% of the participant's salary at the time. If a participant's employment with the group terminates before the end of the performance period, no award will normally be made.

The performance condition of any award under the LTIP granted in the initial years will consist of a total shareholder return target (the "TSR Target"). The TSR Target will apply to all the ordinary shares in the company and it will compare the total shareholder return on an ordinary share in the Company with the total return for each share in a comparator group of companies over a minimum three year performance period. The comparator group of companies will be companies within the FTSE 100 Share Index at the start of the relevant performance period. A participant shall be entitled to all of the shares awarded if the total shareholder return for a share in the company exceeds the total shareholder return achieved by at least 80% of those companies in the comparator group. If the total shareholder return of a share in the company does not exceed total shareholder return achieved by at least 40% of the comparator group, the participant will not be entitled to any shares. The percentage of shares to be released for performance between the aforementioned maximum and minimum targets will be calculated on a sliding scale.

It is intended that the LTIP will be used on a highly restricted basis for a limited number of the most senior executive staff whose exceptional entrepreneurial skills and innovative qualities will be fundamental for the development of the company.

Conditional awards under the LTIP were made to Mr Sutcliffe over 48,000 (June 1998) and 68,000 (March 1999) ordinary shares; these awards lapse following Mr Sutcliffe's resignation. No other awards are outstanding under the LTIP.

Pension Executive Directors and staff who joined the company prior to April 1998 are eligible to participate in the group pension scheme which provides a pension of up to two-thirds of salary on retirement dependent on service and Inland Revenue approved limits. Pension benefits for Executive Directors are provided only on basic salary. From April 1998 Executive Directors and staff who join the company are provided with defined contribution pension benefits. Details of the pension benefits provided to Executive Directors for the year ended 31 December 1999 are set out on page 37.

Service contracts Executive Directors of the company are provided with rolling service contracts. All such current service contracts are terminable on giving 12 months' notice on either side.

Remuneration policy for non-executive Directors Non-executive Directors are appointed for fixed terms of three years and subject to renewal thereafter. Non-executive Directors received a fee of £12,500 p.a. each in 1999, which increased to £15,000 p.a. from January 2000. Non-executive Directors who assume additional specific responsibilities receive supplementary fees.

The Chairman of the Audit Committee receives £8,000 p.a. Other non-executive Directors who are members of the Audit Committee or the Chairman's Committee receive additional fees. Other than fees non-executive Directors receive no benefits from their office and are not eligible to participate in group pension arrangements.

Directors' emoluments Details of individual Directors' emoluments are set out in the table below:

Name	Basic salary £	Benefits in kind and other service contract remuneration £	Annual bonus £	Directors' fees £	Other fees £	Directors fees and other remuneration *paid by* subsidiaries £	Aggregate emoluments excluding pensions 1999 £	Aggregate emoluments excluding pensions 1998 £
Executive								
D. Gordon	100,000	76,850		80,000		50,000	306,850	130,000
D.A. Fischel	290,000	12,665	14,750				317,415	292,304
J.I. Saggers (appointed 13.12.99)	8,260	493	1,362				10,115	–
F.B. Sher	177,500	12,492	9,000				198,992	189,425
A.C. Smith	157,500	19,180	8,000				184,680	149,310
J.H. Sutcliffe (resigned 8.11.99)	305,226	58,305					363,531	331,660
Non-executive								
R.C. Andersen				6,250			6,250	–
R.A.M. Baillie				12,500	14,000	6,000	32,500	30,000
R.W.T. Buchanan				12,500	20,000		32,500	30,000
G.J. Gordon				12,500		6,000	18,500	16,000
Lord Newall				12,500			12,500	10,000
Sir Angus Ogilvy (retired 26.04.99)				4,167			4,167	10,000
M. Rapp				12,500	14,000	75,000	101,500	99,000
Lord Renwick				12,500			12,500	10,000
P. Sober				12,500	18,000	21,000	51,500	49,000
C.B. Strauss				12,500			12,500	10,000
	1,038,486	179,985	33,112	190,417	66,000	158,000	1,666,000	1,356,699

Five Directors including the Chairman (1998 – six) waived fees amounting to £30,250 (1998 – £79,577). Full details relating to the exercise of share options by Directors are given in note 31 on page 66.

Mr Sutcliffe resigned as a Director on 8 November 1999, but it was agreed that certain payments would be made under his contract in the period to March 2000. For the period between 8 November 1999 and 31 December 1999, Mr Sutcliffe received £52,274 and benefits in kind and other service contract remuneration of £11,579. Contributions of £2,619 have been paid to a defined contribution group personal pension arrangement in addition to the contributions stated on page 37.

Under the annual bonus scheme for the year ended 31 December 1999, the Executive Directors were also granted in February 2000 conditional awards of shares in the company. The awards comprise "Restricted" shares and "Additional" shares, the latter equal to 50% of the Restricted shares. These shares will be released respectively three and five years after the date of the award provided the individual Director has remained in service.

The awards to the Executive Directors were as follows:

	Restricted	Additional
D.A. Fischel	10,412	5,206
J.I. Saggers	6,500	3,250
F.B. Sher	6,353	3,176
A.C. Smith	5,647	2,824

The full interest of Directors in conditional awards of ordinary shares under the scheme is detailed in note 31 on page 65.

Directors' pensions Four Directors were members of a defined benefit arrangement, benefit earned being as follows:*

Name	Increase in accrued pension during the year§†	Transfer value of increaseø	Accumulated total accrued pension at year end*
D.A. Fischel	£10,484 pa	£82,048	£67,912 pa
J.I Saggers (appointed 13.12.99)	£273 pa	£3,811	£88,602 pa
F.B. Sher	£3,586 pa	£49,424	£18,014 pa
A.C. Smith	£5,561 pa	£40,366	£31,507 pa

Notes to pension benefits:
* The pension entitlement shown is that which would be paid annually based on service to the end of the year.
† The increase in accrued pension during the year excludes any increase for inflation.
ø The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less Directors' contributions.
§ Mr Saggers acquired pension benefit over the full year by virtue of his employment by Capital & Counties plc. The increase in benefit shown above has been reduced pro rata from the full year's value to relate to the period for which he has been a Director of Liberty International.

Directors who are members of the Retirement Benefit Scheme have the option to pay Additional Voluntary Contributions but no contributions were made in the year.

Contributions of £15,351 (1998 – £13,254) were paid to money purchase arrangements on behalf of Directors. The £15,351 paid in 1999 secured pension benefits for Mr J.H. Sutcliffe and were contributions to a defined contribution group personal pension arrangement administered by Liberty International Pensions Limited (1998 – £13,140).

R.A.M. Baillie Chairman of the Remuneration Committee
28 February 2000

Directors' report for the year ended 31 December 1999

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities The principal activity of Liberty International PLC ("Liberty International") is that of an investment holding company incorporated in the United Kingdom whose business is the making of selected investments with long-term potential in the property and financial services sectors predominantly, but not exclusively, in the United Kingdom.

Liberty International's activities are at present largely focused on its two major property subsidiaries: Capital Shopping Centres PLC ("CSC"), 73.8% owned, which specialises in the ownership management and development of regional shopping centres and Capital & Counties plc ("Capital & Counties"), 100% owned, which engages in commercial and retail property investment, management and development.

The group has financial services subsidiaries in the pensions, offshore asset management and unit trust industries which are relatively small in group terms.

Group reorganisation As part of the 1999 reorganisation of the Liberty Life Group, a Scheme of Arrangement was approved by shareholders and took effect on 24 June 1999. Under the Scheme, Liberty International was introduced to listing on the London Stock Exchange in place of Liberty International Holdings PLC. The shares have a secondary listing on the Johannesburg Stock Exchange. The primary effect of the Liberty Life reorganisation was to distribute a significant part of the Liberty Life interest in Liberty International directly to Liberty Life Group shareholders with the result that the company is no longer a subsidiary of Liberty Life. This report and the financial statements have been prepared under the Merger Accounting convention,which is described in Principal accounting policies' on page 46.

Operating and financial review The Chairman's Statement on pages 4 to 8 and the Review of Operations, which includes the Finance Director's Group financial review, on pages 9 to 30 provide detailed information relating to the group, the operation and development of the business and the results and financial position for the year ended 31 December 1999. Future prospects are dealt with in the Chairman's Statement.

Results and financial position The group's results are set out in full in the consolidated profit and loss account on page 41, the consolidated balance sheet on page 42 and the notes relating thereto.

Dividends The Directors declared an interim ordinary dividend of 9.5p (1998 – 8.8p) per share on 4 August 1999, which was paid on 12 January 2000, and have recommended a final ordinary dividend of 11p per share (1998 – 10.2p) which will be paid on 10 May 2000 to shareholders on the register on the Record Date. Due to the differing requirements of the London and Johannesburg Stock Exchanges, the Record Date for shareholders on the UK Register is 7 April 2000, and for shareholders on the South African Register is 31 March 2000. The Sterling/Rand conversion rate on which payment of the dividend in South Africa will be calculated will be fixed on 7 April 2000. The Directors will not be offering a share dividend alternative to the 1999 final cash dividend.

The dividends absorbed £69.4 million.

Share capital Details of the changes during the year in the issued share capital, which include repurchases of the company's own shares for cancellation, are set out in note 21 on page 60.

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

Internal control The statement on Corporate Governance on pages 33 to 34 includes the Board's assessment following a review of internal controls and consideration of the guidance issued by the Turnbull Committee of the Institute of Chartered Accountants of England & Wales.

Directors Mr D.A. Fischel and Mr A.C. Smith were appointed Directors of Liberty International on its incorporation on 14 December 1998. The remaining Directors of Liberty International Holdings PLC (with the exception of Sir Angus Ogilvy who retired at the Annual General Meeting in 1999) were appointed Directors of the new company at an Extraordinary General Meeting held on 26 March 1999.

Mr J.H. Sutcliffe resigned as a Director on 8 November 1999. Mr J.I. Saggers, Managing Director of Capital & Counties plc, was appointed a Director on 13 December 1999.

In accordance with the Articles of Association, Mr Saggers, having been appointed since the previous General Meeting, retires, and, being eligible, offers himself for election at the Annual General Meeting of the company to be held on 5 May 2000.

No other Director falls to retire under the Articles. However, in accordance with the principles of good corporate governance, those Directors who would normally have retired in 2000, being the third year since last having been elected or re-elected at an Annual General Meeting, have agreed to retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. These directors are Mr D.A. Fischel, Mr G.J. Gordon, Lord Newall, Mr M. Rapp and Lord Renwick. Messrs Fischel and Saggers each has a rolling service contract with the company which is terminable on either party giving 12 months' notice.

Biographies of the Directors of Liberty International are set out on page 32.

Directors' interests The interests of the Directors and their families in shares in the company and its subsidiaries during the year are set out in note 31 to the accounts on pages 65 and 66.

Substantial shareholdings At 28 January 2000 Liberty International had 24,384 shareholders and had been notified under the provisions of the Companies Act 1985 of the following substantial interests:

Liberty Life Association of Africa Limited ("Liberty Life") was beneficially interested in 70,782,519 ordinary shares of Liberty International (22.57%) and Standard Bank Investment Corporation Limited ("Stanbic") was beneficially interested in 26,658,023 ordinary shares of Liberty International (8.5%). Liberty Life is a subsidiary of Stanbic.

Additionally, non-beneficial interests totalling 10,770,475 (3.43%) ordinary shares in Liberty International are held by subsidiaries of Liberty Life and Stanbic on behalf of clients pursuant to discretionary investment management arrangements.

Fidelity International Ltd has notified a non-beneficial interest in 10,103,861 ordinary shares in Liberty International (3.22%).

Employees The majority of employees were employed by CSC and Capital & Counties. Liberty International actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the company's activities and financial performance. The Annual Bonus Scheme and Share Option arrangements help develop employees' interest in the company's performance; full details of these arrangements are given in the Remuneration Committee Report on page 35. Note 21 on page 61 contains details of options and conditional awards of shares under the annual bonus scheme currently outstanding.

Liberty International operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment from the disabled where they have the appropriate skills and abilities and to the continued employment of staff who become disabled.

Liberty International encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees.

The Liberty International group provides retirement benefits for the majority of its employees. Details of the group pension arrangements are set out in note 33 on page 67.

Year 2000 conformity The company and its subsidiaries took formal steps to minimise the risks to its operations and assets from the 'millennium problem'. Within each major subsidiary a Year 2000 Project Team reported to an Executive Director. The projects covered three main sources of risk: Information Technology (IT) systems, embedded and monitoring systems, particularly those within group properties, and suppliers of strategic third party systems and services. The costs of these projects have not been identified separately from the routine maintenance and replacement of systems but the costs relating to the Year 2000 Projects have not been significant. The group did not experience any problems attributable to the transition to the Year 2000, but continues to monitor the risk from date change issues under its ongoing risk management procedures.

The environment The company recognises the importance of minimising the adverse impact on the environment of its operations – particularly through its two largest operations, the property subsidiaries, CSC and Capital & Counties – and the management of energy consumption and waste recycling.

The company strives continuously to improve its environmental performance. The environmental management systems are regularly reviewed to ensure that the company maintains its commitment to environmental matters.

Donations During the year, the group made charitable donations amounting to £56,158. No political donations were made during the year.

Creditor payment policy The company's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU). For other suppliers, the company's policy is to: (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction; (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and (c) pay in accordance with its contractual and other legal obligations. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. Wherever possible UK subsidiaries follow the same policy and overseas subsidiaries are encouraged to adopt similar policies, by applying local best practices.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 31 December 1999 and the amounts owed to its creditors as at 31 December 1999 was 29 days (1998 – 42), as calculated in accordance with the requirements of the Companies Act.

Auditors A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the forthcoming Annual General Meeting.

Purchase of own shares The Articles of Association of the company empower the company to purchase its own shares for cancellation. Details of purchases made in 1999 and the existing shareholder authority to purchase own shares, which expires at the 2000 Annual General Meeting, are given in note 21 on page 60.

Annual General Meeting The notice convening the 2000 Annual General Meeting of the company is distributed separately with the Report and Accounts to shareholders.

By Order of the Board

S. Folger Secretary
28 February 2000

Directors' responsibilities statement

The Directors are required by UK company law to prepare financial statements 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, total recognised gains and losses and cash flows for that period. The Directors confirm that in preparing the financial statements for the year ended 31 December 1999, suitable accounting policies, *consistently applied and* supported by reasonable and prudent judgements and estimates, have been used.

The Directors also confirm that applicable accounting standards have been followed and that the going concern basis is appropriate. The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and the group, and for taking reasonable steps to prevent and detect fraud and other irregularities.

By Order of the Board

S. Folger Secretary
28 February 2000

Auditors' report

To the members of Liberty International PLC
We have audited the financial statements on pages 41 to 45 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, the accounting policies set out on pages 46 and 47, and the notes shown on pages 48 to 67 inclusive.

Respective responsibilities of directors and auditors The Directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom 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 our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become *aware of any apparent* misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 33 and 34 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1999 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
28 February 2000

PricewaterhouseCoopers

Consolidated profit and loss account for the year ended 31 December 1999

	Notes	Total 1999 £m	Exceptional items 1999 £m	Excluding exceptional items 1999 £m	1998 £m
Turnover		283.1	–	283.1	262.7
Cost of sales		(105.5)	–	(105.5)	(95.6)
Gross profit		177.6	–	177.6	167.1
Administrative expenses		(18.7)	–	(18.7)	(17.5)
Operating profit	1	158.9	–	158.9	149.6
Exceptional profit on disposal of investments	2a	6.4	6.4	–	–
Reorganisation costs	2b	(5.0)	(5.0)	–	–
Profit before interest and taxation		160.3	1.4	158.9	149.6
Interest payable less receivable	2b, 3	(37.1)	(3.6)	(33.5)	(28.0)
Profit on ordinary activities before taxation	4	123.2	(2.2)	125.4	121.6
Taxation on profit on ordinary activities	5	(27.2)	(1.7)	(25.5)	(23.1)
Profit on ordinary activities after taxation		96.0	(3.9)	99.9	98.5
Equity minority interests		(19.0)	–	(19.0)	(21.0)
Profit for the financial year	6	77.0	(3.9)	80.9	77.5
Ordinary dividends – paid and proposed	7	(64.3)	–	(64.3)	(61.0)
Other dividends – arising out of group reorganisation	7	(5.1)	–	(5.1)	–
Transfer to retained profit		7.6	(3.9)	11.5	16.5
Dividends per ordinary share	7	20.50p			19.00p
Earnings per share before exceptional items	8	25.12p			23.71p
Earnings per share (basic and diluted)	8	23.91p			23.71p
Weighted average number of shares	8	322.0m			326.9m

All items are from continuing operations

Consolidated balance sheet as at 31 December 1999

	Notes	As at 31 December 1999 £m	As at 31 December 1998 £m
Fixed assets			
Investment properties			
UK shopping centres		2,969.3	2,473.7
Other		787.4	709.2
	9	3,756.7	3,182.9
Other tangible assets and investments	10	16.6	7.3
Intangible assets	11	12.7	12.7
		3,786.0	3,202.9
Insurance assets attributable to unit linked policyholders	12	3,210.7	2,104.9
		6,996.7	5,307.8
Current assets			
Cash and short-term investments	13	295.9	487.2
Other current assets	14	100.2	106.4
		396.1	593.6
Creditors: amounts falling due within one year	15	(253.3)	(182.7)
Net current assets		142.8	410.9
Total assets less current liabilities		7,139.5	5,718.7
Creditors: amounts falling due after more than one year:			
Subordinated convertible debt	16	(213.4)	(227.1)
Other creditors	17	(874.9)	(771.4)
Provisions for liabilities and charges	20	(8.4)	(1.4)
		(1,096.7)	(999.9)
Liabilities attributable to unit linked policyholders	12	(3,210.7)	(2,104.9)
		(4,307.4)	(3,104.8)
Net assets		2,832.1	2,613.9
Capital and reserves:			
Equity interests			
Called up ordinary share capital	21	156.8	163.9
Share premium account	22	0.7	–
Revaluation reserve	22	1,217.7	926.6
Other reserves	22	289.2	276.6
Profit and loss account	22	565.7	648.4
Shareholders' funds	22	2,230.1	2,015.5
Equity minority interests		602.0	598.4
Total shareholders' funds including minority interests		2,832.1	2,613.9
Net assets per share	23	711p	615p
Net assets per share (diluted)	23	696p	605p
Net assets per share as previously reported by Liberty International Holdings PLC (diluted)			589p

Approved by the Board on 28 February 2000

D. Gordon Chairman
D.A. Fischel Managing Director

Company balance sheet as at 31 December 1999

	Notes	1999 £m
Fixed assets		
Investment in group undertakings	10	2,242.2
Current assets		
Other current assets	14	282.2
Creditors: amounts falling due within one year	15	(179.7)
Net current assets		102.5
Total assets less current liabilities		2,344.7
Creditors: amounts falling due after more than one year:		
Subordinated convertible debt	16	(114.6)
Net assets		2,230.1
Capital and reserves		
Equity interests		
Called up ordinary share capital	21	156.8
Share premium account	22	0.7
Revaluation reserve	22	1,754.8
Capital redemption reserve	22	7.3
Profit and loss account	22	310.5
Shareholders' funds		2,230.1

Approved by the Board on 28 February 2000

D. Gordon Chairman

D.A. Fischel Managing Director

Liberty International PLC was incorporated on 14 December 1998 and these are the company's first accounts.

Statement of total recognised gains and losses for the year ended 31 December 1999

	1999 £m	1998 £m
Profit for the financial year attributable to shareholders	77.0	77.5
Group's share of increase in valuation of investment properties	276.7	226.7
Foreign exchange and other movements offset in reserves	(1.7)	(1.3)
Total recognised gains and losses	352.0	302.9

Reconciliation of movements in shareholders' funds for the year ended 31 December 1999

	1999 £m	1998 £m
Opening shareholders' funds	2,015.5	1,773.6
Recognised gains and losses for the year	352.0	302.9
Dividends	(69.4)	(61.0)
Cancellation of shares	(68.0)	–
Closing shareholders' funds	2,230.1	2,015.5

Note of historical cost profits and losses for the year ended 31 December 1999

	1999 £m	1998 £m
Profit on ordinary activities before taxation	123.2	121.6
Prior year revaluation surplus/(deficit) realised	7.5	(14.6)
Historical cost profit on ordinary activities before taxation	130.7	107.0
Historical cost profit retained for the period after taxation, minority interests and dividends	15.1	1.9

Consolidated cash flow statement for the year ended 31 December 1999

	Notes	1999 £m	1998 £m
Net cash inflow from operating activities	26	205.5	164.0
Returns on investments and servicing of finance		(92.3)	(66.6)
Taxation		(23.1)	(16.7)
Capital expenditure and financial investment		(278.4)	(221.9)
Acquisitions and disposals		54.9	(5.9)
Equity dividends paid		(30.2)	(31.5)
Cash outflow before use of liquid resources and financing		(163.6)	(178.6)
Management of liquid resources		107.6	11.7
Financing		95.8	173.3
Increase in cash during the year		39.8	6.4

	Notes	1999 £m	1998 £m
Reconciliation of net cash flow to movement in net debt			
Increase in cash during the year		39.8	6.4
Cash inflow from increase in debt		(93.7)	(173.3)
Cash (inflow)/outflow from (decrease)/increase in liquid resources		(268.8)	(1.1)
Movement in net debt during the year	28	(322.7)	(168.0)
Net debt at 1 January		(515.4)	(347.4)
Net debt at 31 December		(838.1)	(515.4)

Principal accounting policies

Accounting convention and basis of preparation The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom under the historical cost convention as modified by the revaluation of properties and investments.

On 24 June 1999 the Liberty International Group completed a group reorganisation (the "reorganisation") under which a new holding company, Liberty International PLC, acquired the whole of the share capital of Liberty International Holdings PLC through both direct acquisition and indirectly through the acquisition from the Liberty Life Group of Conduit Insurance Holdings Limited ("Conduit") and TAI Investments Limited ("TAI"). The consideration for the acquisition was the issue of 327,964,162 ordinary shares. Liberty International PLC also issued £129,566,306 5.5% subordinated convertible bonds in consideration for the cancellation of the same amount of bonds in issue by Liberty International Holdings PLC. On 24 June 1999 the ordinary shares of Liberty International PLC were listed on the London Stock Exchange and the Johannesburg Stock Exchange and the convertible bonds were listed on the London Stock Exchange.

The financial statements of the new group reflect the consolidated results, assets and liabilities of Liberty International PLC, Conduit, TAI and Liberty International Holdings and its subsidiaries.

Basis of consolidation The group reorganisation has been accounted for using merger accounting principles. Under merger accounting the results of the entities in the new group which are a party to the reorganisation are combined as if the new group had been in existence throughout the period. Comparative figures are presented as if the new group had existed in the previous period.

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings. Goodwill arising on consolidation is carried as an intangible asset and is amortised over its estimated useful economic life which does not exceed 20 years.

Investments Listed fixed asset investments are revalued to their mid-market listed values ruling at the balance sheet date. Any surplus or deficit on revaluation, to the extent that a deficit is not permanent, is taken to the revaluation reserve.

Other listed investments held as current assets are revalued to market value and the resulting gains/losses are taken through the profit and loss account.

Interests in subsidiary undertakings Interests in subsidiary undertakings are carried in the company balance sheet at net asset value.

Turnover Property turnover consists of gross rental income together with sales and services in the ordinary course of business, excluding sales of investment properties.

Turnover in respect of financial services, investment and other income represents investment income, fees and commissions earned and profits or losses recognised on investments held for the short-term. Turnover does not include premium income from long-term life business which is disclosed separately in note 12.

Cost of sales For property, cost of sales consists of ground rents payable, rents payable by way of participating interests of funding partners and other property outgoings directly attributable to investment and trading properties. For financial services, cost of sales includes direct costs relating to financial services business other than those attributable to administrative costs.

Investment properties Completed investment properties are professionally valued on an open market basis by external valuers at the balance sheet date. Surpluses and deficits arising during the year are reflected in the revaluation reserve.

Investment properties under development are included in the balance sheet at cost. Provision is made for any anticipated valuation deficiencies arising on completion. Cost includes interest and other attributable outgoings net of the relevant tax relief, except in the case of properties where no development is imminent, in which case no interest is included.

Depreciation In accordance with Statement of Standard Accounting Practice 19, no depreciation is provided in respect of freehold or long leasehold investment properties including integral plant. The requirement of the Companies Act 1985 is to depreciate all properties but that requirement conflicts with the generally accepted principles set out in Statement of Standard Accounting Practice 19. The Directors consider that, as these properties are held for investment, to depreciate them would not give a true and fair view and it is necessary to adopt Statement of Standard Accounting Practice 19 for the accounts to show a true and fair view.

The value of short leasehold investment properties (under 20 years) at the beginning of the year is amortised over the remaining term of the lease using the sinking fund method.

Other fixed assets are depreciated mainly by equal instalments over their expected lives which do not exceed five years.

Trading properties Trading properties are included in the balance sheet at the lower of cost and net realisable value. Cost consists of direct cost excluding interest. Profits on sales are recognised only when legal title passes.

Long-term life business Premium income is accounted for when the policy liabilities are created. Assets attributable to unit linked policyholders are valued at market value.

Expenses incurred in the operation and establishment of the life business are deducted in arriving at gross profit. Costs of acquiring new business are deferred to the extent that they are recoverable out of future income and amortised as appropriate except that in the periods to 31 December 1999 and 1998 no expenses were deferred as the amount would not have been material.

Insurance liabilities to unit linked policyholders represent the value of in force units at the balance sheet date.

Deferred taxation Deferred taxation is provided to the extent that it is probable that a liability will crystallise; on short-term timing differences, on the difference between capital allowances on assets subject to depreciation and the depreciation charged in the accounts, and on chargeable capital gains and related balancing charges on those investments and investment properties earmarked for sale at the date of the accounts.

No deferred tax is provided on capital allowances in respect of assets not subject to depreciation. No provision is made for the contingent taxation liability arising in respect of valuation surpluses on investments held for the long term where disposal is not contemplated in the foreseeable future. The potential amount of taxation which would be payable if all such surpluses were to be realised is disclosed in note 20 to the accounts.

Pensions The expected cost to the group of defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes.

Foreign currencies Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Results in foreign currencies are translated into sterling at the average rate of exchange for the period. Exchange differences arising from the retranslation of the opening net investment in overseas undertakings, after taking account of related foreign currency borrowings and other hedging instruments, are recorded as adjustments to the appropriate opening reserves and are reported in the statement of total recognised gains and losses. Other exchange differences are dealt with through the profit and loss account.

Derivatives and financial instruments Profits and losses in respect of derivatives and other financial instruments, where these have been entered into in accordance with the group's policies in relation to hedging of interest rate and currency risk, are recognised on an accruals basis, reflecting the cash flows over the life of the instrument. No adjustment is made in the accounts in respect of the market value of such instruments unless such instruments are judged to be in excess of current or future hedging requirements.

Notes to the accounts as at 31 December 1999

1 Operating profit

	Turnover 1999 £m	Turnover 1998 £m	Operating profit 1999 £m	Operating profit 1998 £m	Attributable net assets 1999 £m	Attributable net assets 1998 £m
Property investment						
UK shopping centres	184.1	174.3	114.9	106.8	2,969.3	2,473.7
Commercial properties						
– United Kingdom	47.7	44.4	40.5	38.2	661.4	512.3
– United States	14.0	11.1	8.7	9.4	121.3	88.6
Property trading	21.6	19.0	9.1	8.7	51.0	48.6
Financial services	7.8	2.5	(3.2)	(4.9)	14.3	13.9
Investment and other income	4.2	–	3.8	–	36.5	10.6
	279.4	251.3	173.8	158.2	3,853.8	3,147.7
Property investment						
– Australia	3.7	11.4	3.8	8.9	4.7	108.3
	283.1	262.7	177.6	167.1	3,858.5	3,256.0
Administrative expenses			(18.7)	(17.5)	–	–
			158.9	149.6	3,858.5	3,256.0
Non interest bearing assets and liabilities					(188.6)	(126.7)
Interest bearing assets and liabilities:						
Cash and short-term investments					259.9	487.2
Short-term borrowings					(9.8)	(13.4)
Long-term borrowings					(1,087.9)	(989.2)
					2,832.1	2,613.9
Geographical analysis:						
United Kingdom	262.4	235.2	144.3	131.9	3,724.3	3,056.1
United States	14.5	14.6	9.3	9.2	127.4	88.6
Australia	6.2	12.9	5.3	8.5	6.8	111.3
	283.1	262.7	158.9	149.6	3,858.5	3,256.0

Turnover has been analysed by reference to geographical origin. Turnover analysed by geographical destination would be the same.

2 Exceptional items

These amounts have been disclosed in a separate column in the profit and loss account in order to provide users of the accounts with a clearer presentation of the profits and losses arising from the activities of the new group.

(a) Profit on disposal of investments

	1999 £m	1998 £m
Profits/(losses) arising on disposal of investment properties	3.5	(0.8)
Profits arising on disposal of subsidiaries	2.9	–
Profit arising on disposal of CSC Subordinated Convertible Bonds	–	0.8
	6.4	–

(b) Exceptional costs

The costs directly attributable to the reorganisation have been separately disclosed as these represent non-recurring expenditure. In addition to advisory, legal and other costs disclosed as reorganisation costs of £5.0 million, exceptional finance costs relating to the cancellation of interest rate swaps which became surplus to requirements following the repayment of Conduit and TAI's debt and unamortised bond issue costs written off amounted to £3.6 million.

3 Interest payable less receivable

	1999 £m	1998 £m
Interest payable		
On sums not wholly repayable within five years	(65.0)	(50.3)
On subordinated convertible debt wholly repayable in more than five years	(13.3)	(14.5)
On bank loans, overdrafts and other loans wholly repayable within five years	(10.4)	(17.7)
	(88.7)	(82.5)
Interest receivable	25.8	42.5
	(62.9)	(40.0)
Adjustment in respect of interest capitalised on investment properties under development	25.8	12.0
	(37.1)	(28.0)

Interest is capitalised on the basis of the average cost of the relevant debt applied to the cost of developments during the year.

4 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is arrived at after charging		
Amortisation of short leaseholds	617	503
Amortisation of goodwill	622	–
Depreciation	1,630	1,960
Auditors' remuneration (Company £42,000 (1998 – £60,000))	270	256
Remuneration paid to the company's auditors for non-audit work*	268	43
Staff costs (see note 33)	29,269	23,485
Secretarial and administrative charges payable to Liberty Life group companies	225	265
Operating lease rentals	165	–

*In addition, the auditors received £100,000 in fees which were capitalised in 1998.

Where applicable, the above amounts include irrecoverable VAT.

5 Taxation on profit on ordinary activities

	1999 £m	1998 £m
Current United Kingdom corporation tax at 30.25% (1998 – 31%)	30.2	27.2
Advance corporation tax recoverable	(6.1)	(5.6)
	24.1	21.6
Overseas taxation	1.4	1.5
	25.5	23.1
Tax on exceptional items	1.7	–
	27.2	23.1

The principal factors contributing to the low tax charge for the year were the recovery of advance corporation tax previously written off and capital allowances on assets not subject to depreciation and in respect of which no provision for deferred taxation has been made.

6 Profit for the financial year attributable to shareholders of Liberty International

Profits of £443.6 million are dealt with in the accounts of the holding company in respect of the period from 14 December 1998. No profit and loss account is presented for the company as permitted by s230 Companies Act 1985.

7 Dividends

	1999 £m	1998 £m
Ordinary shares		
Interim ordinary dividend paid of 9.5p per share (1998 – 8.8p)	29.8	28.0
Final ordinary dividend declared of 11.0p per share (1998 – second interim ordinary dividend 10.2p)	34.5	33.0
	64.3	61.0
Other dividends arising out of group reorganisation	5.1	–
	69.4	61.0

Dividends of £0.7 million have been waived by LIH Share Plan (Jersey) Limited in respect of 1999 (see note 10).
Details of the shares in issue are given in note 21.

8 Earnings per share

	1999 m	1998 m
Weighted average ordinary shares in issue	324.9	327.5
Weighted average ordinary shares held by ESOP	(2.9)	(0.6)
Weighted average ordinary shares in issue for calculation of earnings per share	322.0	326.9

	£m	£m
Earnings used for calculation	77.0	77.5
Exceptional items	3.9	–
Earnings before exceptional items used for calculation	80.9	77.5

9 Investment properties

	Freehold £m	Leasehold over 50 years £m	Leasehold under 50 years £m	Total £m
Completed properties at external valuation:				
At 31 December 1998	1,380.2	1,541.3	4.7	2,926.2
Additions	99.5	37.3	0.2	137.0
Disposals	(112.7)	(7.0)	–	(119.7)
Foreign exchange fluctuations	13.4	–	–	13.4
Reclassification – completed developments	304.8	–	–	304.8
Amortisation	–	–	(0.6)	(0.6)
Surplus on valuation	188.7	179.2	1.1	369.0
At 31 December 1999	1,873.9	1,750.8	5.4	3,630.1
Properties under development at cost:				
At 31 December 1998 (including £13.2 million capitalised interest)	256.7	–	–	256.7
Additions	179.6	0.5	–	180.1
Disposals	(5.8)	–	–	(5.8)
Foreign exchange fluctuations	0.4	–	–	0.4
Reclassification – completed developments	(304.8)	–	–	(304.8)
At 31 December 1999 (including £3.5 million capitalised interest)	126.1	0.5	–	126.6
Investment properties				
At 31 December 1999	2,000.0	1,751.3	5.4	3,756.7
At 31 December 1998	1,636.9	1,541.3	4.7	3,182.9

	UK £m	US £m	Australia £m	Total £m
Geographical analysis				
Investment properties	3,630.7	121.3	4.7	3,756.7

The group's interests in completed investment properties were valued as at 31 December 1999 by external valuers in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of open market value, gross of purchaser's costs.

In the UK, properties were valued by either DTZ Debenham Thorpe Tie Leung, Chartered Surveyors, CB Hillier Parker, Chartered Surveyors, Matthews and Goodman, Chartered Surveyors or Richard Ellis St Quintin, Chartered Surveyors. In the United States properties were valued by Jones Lang LaSalle.

The historic cost of completed investment properties was £1,998 million (1998 – £1,733 million).

In accordance with the group's accounting policy and Statement of Standard Accounting Practice 19, no depreciation has been charged in respect of freehold or long leasehold investment properties. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the Directors, would be misleading.

10 Other tangible assets and investments

	Tangible assets			Investments	
	Cost £m	Accumulated depreciation £m	Net £m	Own shares £m	Total £m
At 31 December 1998	12.6	(9.7)	2.9	4.4	7.3
Additions	1.7	–	1.7	10.2	11.9
Disposals	(0.4)	0.4	–	–	–
Charge for the year	–	(1.6)	(1.6)	–	(1.6)
Allocations	–	–	–	(1.0)	(1.0)
At 31 December 1999	13.9	(10.9)	3.0	13.6	16.6

Other tangible assets include vehicles, fixtures, fittings and other office equipment.

The historic cost of own shares at 31 December 1999 was £13.6 million (31 December 1998 – £4.4 million)

Own shares Investment in own shares represents 3,358,637 ordinary shares in Liberty International (1998 – 757,980), and 379,400 ordinary shares in Capital Shopping Centres (1998 – 590,000). The shares are held by the Trustee of the Employee Share Ownership Plans ("ESOPs") operated by the company and Capital Shopping Centres. The purpose of the ESOPs is to acquire and hold shares which will be transferred to employees in the future under the group's employee incentive arrangements as described in the Report on Directors' Remuneration on page 35. All own shares are stated at cost less amounts written off in respect of allocations to employees. The market value of the Liberty International shares at 31 December 1999 was £15.4 million (1998 – £3.4 million). The market value of the Capital Shopping Centres shares at 31 December 1999 was £1.3 million (1998 – £2.0 million). Dividends payable on these shares have been waived by agreement.

Interest in subsidiary undertakings	Company £m
At 31 December 1998	–
Additions	487.4
Revaluations	1,754.8
At 31 December 1999	2,242.2

The historic cost of company investments at 31 December 1999 was £487.4 million.

11 Intangible assets

	1999 £m	1998 £m
At 1 January	12.7	–
Additions, including deferred consideration in 1998	6.5	14.3
Less fair value of assets acquired	–	(1.6)
Adjustment to deferred consideration	(5.9)	–
Amortisation	(0.6)	–
	12.7	12.7

Additions in 1999 relate to the acquisition of management contracts in respect of unit trusts by Portfolio Fund Management Limited. Adjustment to deferred consideration relates to a revision to the total amount paid for the Ermitage Group.

12 Insurance assets attributable to unit linked policyholders

(a) At 31 December 1999, the insurance assets attributable to unit linked policyholders comprised:

	1999 £m	1998 £m
Equities and unit trusts	2,416.3	2,094.5
Overseas equities	743.7	0.7
Preference shares	0.8	1.4
Fixed interest stocks	9.8	0.3
Cash	29.5	1.3
Derivatives	2.9	0.6
Dividends and accrued interest	6.8	7.0
	3,209.8	2,105.8
Net current assets/(liabilities)	0.9	(0.9)
	3,210.7	2,104.9

(b) At 31 December 1999 the summarised income and expenditure of the life business comprised:

	1999 £m	1998 £m
Gross premiums written	506.4	209.3
Reassurance premiums	(0.8)	–
Unrealised and realised gains	515.4	185.0
Investment income receivable	83.9	41.7
Change in technical provisions for linked liabilities	(1,104.9)	(436.0)
Release of long-term business provision	0.2	–
Net operating expenses	(7.6)	(5.4)
	(7.4)	(5.4)

Gross premiums written comprise pensions business written by both Liberty International Pensions Limited and Hermes Liberty International Pensions Limited.

13 Cash and short-term investments

	Group 1999 £m	Group 1998 £m
Short-term investments – listed	33.7	21.6
Short-term investments – Liberty International Money Funds	117.2	132.5
Short-term investments – other	76.8	306.3
	227.7	460.4
Cash and deposits	68.2	26.8
	295.9	487.2

All short term investments are stated at market value.

14 Other current assets

	Group 1999 £m	Group 1998 £m	Company 1999 £m
Debtors			
Amounts falling due within one year:			
Rents receivable	14.4	12.1	–
Dividends receivable from subsidiary undertakings	–	–	230.9
Amounts owed by subsidiary undertakings	–	–	50.6
Tax recoverable	–	0.1	0.7
Other debtors	15.5	26.1	–
Prepayments and accrued income	17.2	17.8	–
	47.1	56.1	282.2
Amounts falling due after more than one year:			
Other debtors	0.1	0.1	–
Prepayments and accrued income	2.0	1.6	–
	49.2	57.8	282.2
Trading properties			
Undeveloped sites	7.0	9.8	–
Completed properties	44.0	38.8	–
	51.0	48.6	–
	100.2	106.4	282.2

The estimated replacement cost of trading properties based on market value amounted to £56.4 million at 31 December 1999 (1998 – £52.1 million).

15 Creditors: amounts falling due within one year

	Group 1999 £m	Group 1998 £m	Company 1999 £m
Bank loans and overdrafts (note 18)	9.8	13.4	–
Trade creditors	1.1	2.2	–
Rents receivable in advance	53.2	45.3	–
Amounts owed to subsidiary undertakings	–	–	114.2
Other creditors	22.8	16.8	0.2
Corporation tax	25.6	21.8	–
Other taxes and social security	1.8	7.4	–
Dividends payable	70.7	30.2	64.3
Accruals and deferred income	68.3	45.6	1.0
	253.3	182.7	179.7

16 Subordinated convertible debt

	Group 1999 £m	Group 1998 £m	Company 1999 £m
6.25% Capital Shopping Centres Subordinated Convertible Bonds due 2006	98.8	98.6	–
5.5% Liberty International Subordinated Convertible Bonds due 2009	114.6	128.5	114.6
	213.4	227.1	114.6

The subordinated convertible bonds are stated net of issue costs.

6.25% Capital Shopping Centres ("CSC") Subordinated Convertible Bonds due 2006 At 31 December 1999 there were £204 million CSC 6.25% subordinated convertible bonds in issue. The amount of £98.8 million (1998 – £98.6 million) represents the net amount due to third parties, net of issue costs, after the elimination of £104.7 million (1998 – £104.7 million) nominal held by group companies.

The holders of the 6.25% subordinated convertible bonds have the option to convert the bonds into CSC ordinary shares at any time up to 24 December 2006 at 370p per ordinary share, a conversion rate of approximately 27 ordinary shares for every £100 nominal of convertible bonds. The convertible bonds are unsecured and are subordinated to all other forms of debt. Unless converted, the bonds may be redeemed at par at CSC's option at any time after 31 December 2003. Unless otherwise converted or redeemed, the convertible bonds will be redeemed by CSC at par on 31 December 2006.

5.5% Liberty International Subordinated Convertible Bonds due 2009 Under the Scheme of Arrangement completed on 24 June 1999 £129.6 million of the 5.5% subordinated convertible bonds in Liberty International Holdings PLC were exchanged for £129.6 million of 5.5% subordinated convertible bonds in Liberty International PLC on a one for one basis, but with enhanced conversion terms. In the period to 31 December 1999 the company repurchased and cancelled £15.0 million bonds at par and at 31 December 1999 there were £114.6 million convertible bonds in issue.

The holders of the 5.5% subordinated convertible bonds 2009 have the option to convert the bonds into ordinary shares at any time up to 23 April 2009 at 490p per share, a conversion rate of approximately 20.4 ordinary shares for every £100 nominal of convertible bonds. The convertible bonds are unsecured and are subordinated to all other forms of debt.

The Liberty International subordinated convertible bonds may be redeemed by the company on or after 1 May 2001. If redeemed prior to 30 April 2009 the payment to bondholders, in addition to the accrued interest, would be the sum of the principal amount of the bonds and supplemental interest being equal to the following:

Redemption date falling in the period from (and including) to (and including)	Sum of supplemental interest and principal amount of the Bond %
1 May 2001 to 30 April 2002	103
1 May 2002 to 30 April 2003	102
1 May 2003 to 30 April 2004	101
1 May 2004 to 30 April 2009	100

Unless otherwise converted or redeemed, the convertible bonds will be redeemed by the company at par on 30 April 2009.

17 Creditors: amounts falling due after more than one year

	Group 1999 £m	Group 1998 £m
Debenture and other fixed rate loans (note 18)	619.5	520.1
Bank loans (note 18)	255.0	242.0
	874.5	762.1
Other creditors	0.4	9.3
	874.9	771.4

18 Analysis of borrowings

	Group 1999 £m	Group 1998 £m	Company 1999 £m
Wholly repayable in one year or less			
Secured			
Bank loans	8.4	9.9	–
Unsecured			
Bank loans	1.4	3.5	–
	9.8	13.4	–
Wholly repayable in more than one year but not more than two years			
Secured			
First mortgage debenture stock: 6.875% – 1995/2000	–	3.0	–
Bank loans	0.9	7.4	–
Unsecured			
Bank loans	–	82.0	–
	0.9	92.4	–
Wholly repayable in more than two years but not more than five years			
Secured			
Bank loans	12.3	6.8	–
Unsecured			
Bank loans	40.0	42.5	–
	52.3	49.3	–

18 Analysis of borrowings continued

	Group 1999 £m	Group 1998 £m	Company 1999 £m
Payable in more than five years			
Secured			
First mortgage debenture stocks:			
11.25% – 2021	80.0	80.0	–
9.875% – 2027	150.0	150.0	–
Bank loans	201.8	141.4	–
Unsecured			
Bank loans	–	6.7	–
US$ Notes – 1999 to 2006	43.8	45.1	–
5.75% Eurosterling bond 2009	148.3	–	–
6.875% Eurosterling bond 2013	197.4	197.2	–
Subordinated convertible debt:			
6.25% Capital Shopping Centres subordinated convertible bonds due 2006	98.8	98.6	–
5.5% Liberty International subordinated convertible bonds due 2009	114.6	128.5	114.6
	1,034.7	847.5	114.6
	1,097.7	1,002.6	114.6

	Group Secured £m	Group Unsecured £m	Group Total £m
Period of payment			
Instalments on loans and term loans due in one year or less	8.4	4.1	12.5
Loans due:			
in more than one year but not more than two years	0.9	2.7	3.6
in more than two years but not more than five years	12.3	62.2	74.5
in more than five years	431.8	575.3	1,007.1
	453.4	644.3	1,097.7
Currencies			
Sterling	402.5	600.5	1,003.0
US Dollars	50.9	43.8	94.7
	453.4	644.3	1,097.7

Certain borrowings of the group's property subsidiaries are secured by charges on specific property assets of those subsidiaries.

19 Financial instruments

Fair values of financial assets and liabilities Financial assets and liabilities comprise long term borrowings, interest rate swaps and similar instruments, and cash and short term investments (short term debtors and creditors are excluded from financial assets and liabilities). The fair values of financial assets and liabilities have been established using the market value where available, for those instruments without a market value a discounted cash flow approach has been used.

Financial assets Financial assets are disclosed in note 13 under cash and short term investments. These are stated in the balance sheet at market value and earn interest at interest rates which are fixed for periods of less than one year. Short term interest rate swaps have been entered into to secure fixed rates over a longer period and these are disclosed below.

Financial liabilities

	Rate	Balance sheet value at 31 December 1999 £m	Fair value at 31 December 1999 £m	Rate	Balance sheet value at 31 December 1998 £m	Fair value at 31 December 1998 £m
Debentures and other fixed rate loans						
Sterling						
Debenture 2027	9.88%	150.0	222.3	9.88%	150.0	239.4
Debenture 2021	11.25%	80.0	129.3	11.25%	80.0	135.0
CSC 6.875% unsecured bond 2013	6.88%	197.4	195.1	6.88%	197.2	212.2
CSC 5.75% unsecured bond 2009	5.75%	148.3	136.0		–	–
US Dollars						
US Private placement 1999–2006	9.90%	43.8	49.1	9.89%	45.1	56.2
Other fixed rate loans	7.93%	50.9	50.9	8.06%	35.6	35.6
	8.10%	670.4	782.7	9.01%	507.9	678.4
Convertible debt	5.84%	213.4	199.1	5.73%	227.1	227.8
Bank loans (LIBOR linked)*		213.9	213.9		267.6	267.6
Interest rate swaps and similar instruments*	6.01%	–	(2.1)	6.73%	–	29.2
		1,097.7	1,193.6		1,002.6	1,203.0
Other liabilities and provisions		8.8	8.8		10.7	10.7
Minority interests		–	4.3		–	(11.8)
Total financial liabilities		1,106.5	1,206.7		1,013.3	1,201.9

*The finance cost of floating rate debt is managed using interest rate swaps and collars on the basis of minimising the group's exposure to interest rate changes. The interest rate swaps and similar instruments in place at 31 December 1999 are detailed below. The group's policies for managing interest rate risk are set out in the Group Financial Review on pages 28 to 30.

The deferred tax credit in respect of tax relief attributable to the interest payments giving rise to the above adjustment would amount to £30.1 million (9p per share) (1998 – £58.5 million (16p per share)).

19 Financial instruments continued

Gains and losses on hedges The group enters into interest rate swaps and other instruments to manage its interest rate profile. Changes in the fair value of these instruments are not recognised in the financial statements but are recognised on an accruals basis reflecting the cashflows associated with each contract.

An analysis of the unrecognised gains and losses at 31 December 1999 is set out below.

	Gains £m	Losses £m	Total net gains / losses £m
Unrecognised gains and losses on hedges at 31 December 1998	3.1	(32.3)	(29.2)
Gains and losses arising in prior periods that were recognised in the current period	(2.3)	7.6	5.3
Gains and losses arising in prior years that were not recognised in the current period	0.8	(24.7)	(23.9)
Net gains and losses arising in the current period that were not recognised in the current period	5.4	20.6	26.0
Unrecognised gains and losses on hedges at 31 December 1999	6.2	(4.1)	2.1
Gains and losses expected to be recognised in the next period	1.0	(0.2)	0.8

Hedging instruments in place at 31 December 1999 were as follows:

Interest rate swap agreements Outstanding during the period from 31 December 1999

	Notional principal Average £m	Notional principal Maximum £m	Average contracted rate %
Sterling – pay fixed and receive floating			
In one year or less	273	320	6.36
In more than one year but not more than two years	320	320	6.21
In more than two years but not more than five years	318	320	6.20
In more than five years but not more than ten years	271	300	6.00
More than ten years	130	270	5.16
Sterling – receive fixed and pay floating			
In one year or less	88	130	7.18
In more than one year but not more than two years	48	50	6.92

The group has various undrawn committed borrowing facilities. The facilities available at 31 December 1999 in respect of which all conditions precedent had been met were as follows:

	1999 £m
Expiring in one year or less	110.0
Expiring in more than one year but not more than two years	–
Expiring in more than two years	520.0
	630.0

20 Provisions for liabilities and charges

	Group 1999 £m	Group 1998 £m
Deferred tax		
Excess of book values of properties and investments earmarked for disposal over their cost for tax purposes	3.2	1.9
Advance corporation tax recoverable	–	(0.5)
Other provisions		
Deferred consideration in respect of property interests	5.2	–
	8.4	1.4

A provision of £407.3 million (1998 – £283.6 million) would be required if deferred taxation were to be provided in respect of all revaluation surpluses and related balancing charges of which the minorities' share is £106.9 million (1998 – £83.1 million).

21 Called up share capital

	1999 £m
Authorised	
500,000,000 ordinary shares of 50p each	250.0
	250.0
Issued and fully paid equity interests	
313,650,914 ordinary shares of 50p each	156.8

Details of the share capital authorised and issued during the year are as follows:

Liberty International PLC was incorporated on 14 December 1998 with an authorised share capital of £50,000, comprising 50,000 ordinary shares of £1 each. Two ordinary shares of £1 each were allotted for cash, and fully paid, on incorporation. On 26 March 1999 the authorised share capital was sub-divided into 100,000 ordinary shares of 50p each, and increased to £250,000,000 by the creation of 499,900,000 additional ordinary shares of 50p each. The issued share capital was sub-divided into four ordinary shares of 50p each.

On 8 April 1999, 99,996 new ordinary shares of 50p each were issued. On 24 June 1999 the Liberty International group completed a group reorganisation whereby the company acquired the whole of the share capital of Liberty International Holdings PLC through both direct acquisition and indirectly by the acquisition from the Liberty Life Group of Conduit Insurance Holdings Limited and TAI Investments Limited. The consideration for the acquisition was 327,964,162 ordinary shares and, therefore, during the period to 24 June 1999 a further 327,864,162 shares were issued. On 22 July 1999 a further 41 ordinary shares were issued following the conversion of £202 nominal value of bonds on that date. On 25 August 1999 314,521 ordinary shares were allotted to satisfy an exercise of options granted at 306p per share.

Commencing 12 August 1999, the company purchased in the market for cancellation, with the objective of enhancing net asset value per share, 14,627,810 ordinary shares of 50p each with a total nominal value of £7.3 million. The cost of purchases amounted to £68.9 million, and the shares cancelled represented 4.46% of the issued share capital as at 24 June 1999. As at 28 January 2000, the company has an unexpired authority to repurchase further shares up to a maximum of 18,158,606 with a nominal value of £9.1 million.

21 Called up share capital continued

Options to subscribe for ordinary shares under the Liberty International Holdings PLC Executive Share Option Scheme 1987, the Liberty International Holdings PLC Incentive Share Option Scheme 1990 and the Liberty International PLC Incentive Share Option Scheme 1999 were outstanding as set out below.

Date of grant	Scheme	Price per share	Number of Liberty International ordinary shares	Exercisable between
07.03.91	1990	306p	3,670	1994 and 2001
22.09.92	1987	169p	15,000	1995 and 2002
22.09.92	1990	169p	40,000	1995 and 2002
19.08.93	1987	322p	160,000	1996 and 2003
19.08.93	1990	322p	15,000	1996 and 2003
06.09.94	1987	366p	40,000	1997 and 2004
06.09.94	1990	366p	50,000	1997 and 2004
10.08.95	1987	322p	160,000	1998 and 2005
10.08.95	1990	322p	45,000	1998 and 2005
18.03.96	1987	331p	297,500	1999 and 2006
18.03.96	1990	331p	80,000	1999 and 2006
16.09.97	1990	496.5p	75,000	2000 and 2007
03.09.98	1990	460p	15,000	2001 and 2008
12.03.99	1990	419p	1,058,700	2002 and 2009
11.08.99	1999	475p	406,263	2002 and 2009
Total			2,461,133	

The options shown above for the 1987 and 1990 Schemes were originally over ordinary shares in Liberty International Holdings PLC. Under the terms of the Scheme of Arrangement completed 24 June 1999, these options were rolled over and now relate to ordinary shares in Liberty International PLC, except for the grant of options dated 27 March 1998. This grant, for 767,600 shares at 613p per share, was cancelled and replaced by the grant under the Liberty International PLC Incentive Share Option Scheme 1999 dated 11 August 1999.

Conditional awards of Additional and Restricted shares under the Company's Annual Bonus Scheme outstanding at 31 December 1999 were as follows:

	Restricted	Additional
1998	46,522	23,262
1999	59,034	29,519
Total	105,556	52,781

A total of 3,358,637 ordinary shares were held by LIH Share Plan (Jersey) Limited at 31 December 1999 for the purposes of satisfying the future exercise of options and provision of shares on maturity of conditional awards under the Annual Bonus Scheme.

22 Capital and reserves

	Share capital £m	Share premium account £m	Revaluation reserve £m	Other reserve £m	Profit and loss account £m	Total £m
Reconciliation of movements in shareholders' funds						
Group						
At 31 December 1998	163.9	–	926.6	276.6	648.4	2,015.5
Foreign exchange and other movements	–	–	(1.5)	(0.2)	–	(1.7)
Retained profit for the year	–	–	–	–	7.6	7.6
Shares (cancelled)/issued during the year	(7.1)	0.7	–	7.3	(68.9)	(68.0)
Shares cancelled by subsidiaries during the year	–	–	23.4	5.5	(28.9)	–
Prior year revaluation deficits realised	–	–	(7.5)	–	7.5	–
Group's share of revaluation of investment properties	–	–	276.7	–	–	276.7
At 31 December 1999	156.8	0.7	1,217.7	289.2	565.7	2,230.1
Company						
Retained profit for the year	–	–	–	–	379.4	379.4
Shares issued on reorganisation	163.9	–	–	–	–	163.9
Shares issued during the year	0.2	0.7	–	–	–	0.9
Shares cancelled during the year	(7.3)	–	–	7.3	(68.9)	(68.9)
Revaluation of investments	–	–	1,754.8	–	–	1,754.8
At 31 December 1999	156.8	0.7	1,754.8	7.3	310.5	2,230.1

23 Net assets per share

	1999 Net assets £m	1999 Shares m	1998 Net assets £m	1998 Shares m
Basic	2,230.1	313.6	2,015.5	327.8
Shares to be issued on conversion of bonds	114.6	23.4	128.5	26.4
Shares required for options net of ESOP shares	–	–	6.4	1.4
Diluted	2,344.7	337.0	2,150.4	355.6

24 Capital commitments

At 31 December 1999 the estimated amounts of commitments for future expenditure were:

	Group 1999 £m	Group 1998 £m
Under contracts	101.3	211.1
Authorised by the Directors but not contracted	31.6	54.4
	132.9	265.5

In addition Capital Shopping Centres PLC has a commitment to contribute, if required, to road improvements in the Lakeside Thurrock area. *The estimated cost of the contributions towards the road improvements was £13.9 million at 31 December 1999 (1998 – £11.9 million).*

25 Contingent liabilities

Other than as described herein, there are no contingent liabilities of which the Directors were aware at 31 December 1999 (1998 – nil).

26 Reconciliation of operating profit to net cash inflow from operating activities

	1999 £m	1998 £m
Operating profit	158.9	149.6
Depreciation and amortisation	2.8	2.5
Change in debtors and creditors	43.8	11.9
	205.5	164.0

27 Analysis of changes in financing during the year

	Share capital* £m	Subordinated convertible bonds £m	Bank and other loans £m
Financing at 31 December 1998	163.9	227.1	775.5
Cash inflow from financing	(6.4)	(14.9)	108.8
Amortisation of bond issue costs	–	1.2	–
Financing at 31 December 1999	157.5	213.4	884.3

*Including share premium account and capital redemption reserve.

28 Analysis of net debt

	At 1 January 1999 £m	Cash flow £m	At 31 December 1999 £m
Cash at bank and in hand	27.0	39.8	66.8
Cash deposit	120.1	41.7	161.8
Debt due within one year	(13.4)	5.0	(8.4)
Debt due after more than one year	(989.2)	(98.7)	(1,087.9)
Current asset investments	340.1	(310.5)	29.6
	(515.4)	(322.7)	(838.1)

	£m
Analysis of movement in debt due after more than one year	
At 31 December 1998	989.2
New unsecured loans	148.3
Other net movement	(49.6)
At 31 December 1999	1,087.9

29 Principal subsidiary undertakings

Company and principal activity	Class of share capital	% held
Capital & Counties plc (property)	Ordinary shares of 25p each	100.0
and its principal subsidiary undertakings:		
Kestrel Properties Limited (property)	Ordinary shares of £1 each	100.0
Capital & Counties U.S.A., Inc. (USA) (property and financing)	Common stock of US$1 par value	100.0
Capital & Counties (Australia) Holdings Limited (Australia) (property)	Ordinary shares of AUS$1 each	100.0
Capital Shopping Centres PLC (property)	Ordinary shares of 50p each	73.8*
and its principal subsidiary undertakings:		
CSC Properties Limited	Ordinary shares of £1 each	100.0
	7% Preference shares of £1 each	100.0
CSC Property Investments Limited	Ordinary shares of £1 each	100.0
Braehead Glasgow Limited (formerly Braehead Park Retail Limited)	"A" Ordinary shares of £1 each	100.0
	"B" Ordinary shares of 1 Irish Punt each	100.0
Braehead Park Investments Limited	Ordinary shares of £1 each	100.0
Braehead Park Estates Limited	Ordinary shares of £1 each	100.0
CSC Uxbridge Limited	Ordinary shares of £1 each	100.0
Liberty International Financial Services PLC	Ordinary shares of 25p each	100.0
and its principal subsidiary undertakings:	3.85% cumulative preference stock of £1 each	100.0
Portfolio Fund Management Limited (unit trusts)	Ordinary shares of £1 each	100.0
Liberty International Asset Management Limited (asset management)	Ordinary shares of £1 each	100.0
Liberty International Jersey Limited (offshore asset management)	Ordinary shares of £1 each	100.0
and its principal subsidiary undertaking:		
Ermitage International Limited (Bermuda) (offshore asset management)	Class A shares of US$1 each	100.0
Liberty International Pensions Limited (pensions)	Ordinary shares of £1 each	80.0
and its principal subsidiary undertakings:		
Hermes Liberty International Pensions Limited (pensions)	Ordinary shares of £1 each	100.0
	Preference shares of £1 each	50.0
Liberty International Services Limited	Ordinary shares of £1 each	100.0
Liberty International Group Treasury Limited (treasury management)	Ordinary shares of £1 each	100.0

*56.4% held by Capital & Counties plc.

Companies are incorporated and registered in England and Wales unless otherwise stated. All subsidiary undertakings have been included in the consolidated results.

30 Directors' emoluments

The details of individual Directors' remuneration as set out in the Report on Directors' Remuneration on pages 36 to 37 form part of these financial statements. Details of gains made on exercise of share options are contained in note 31 on page 66.

31 Directors' interests

(a) In shares in Liberty International Group Companies The number of ordinary shares of the company and Capital Shopping Centres PLC in which the Directors were beneficially interested were:

	Liberty International PLC 31 December 1999	Liberty International Holdings PLC 31 December 1998†	Capital Shopping Centres PLC 31 December 1999	Capital Shopping Centres PLC 31 December 1998†
D. Gordon	7,265,120	2,354,691	80,000	80,000
R.C. Andersen	1,119	–	–	–
R.A.M. Baillie	4,145	4,055	2,216	2,216
R.W.T. Buchanan	25,088	5,088	–	–
D.A. Fischel	151,763	151,763	4,000	4,000
G.J. Gordon	460,000	460,000	90,000	90,000
Lord Newall	127	127	2,218	2,218
M. Rapp	5,079	4,868	–	–
Lord Renwick	1,034	1,034	–	–
J.I. Saggers (appointed 13.12.99)	35,136	35,136	–	–
F.B. Sher	–	–	–	–
A C Smith	20,482	28,482	–	–
P. Sober	3,750	3,750	5,000	5,000
C.B. Strauss	723	415	–	–

†Date of appointment if later.

Under the Scheme of Arrangement completed on 24 June 1999, all ordinary shares and Bonds held by Directors in Liberty International Holdings PLC were exchanged on a one for one basis for ordinary shares and Bonds in Liberty International PLC. Also under the Scheme of Arrangement, 480 'B' Preference shares in Liberty International Holdings PLC held by Mr Rapp were exchanged for 105 ordinary shares in Liberty International PLC.

Other interests in shares, as at 31 December 1999 and 1998, or date of appointment if later, were:

Liberty International PLC ordinary shares of 50p each Conditional awards of shares have been made under the company's annual bonus scheme. The awards comprise "Restricted" shares and "Additional" shares, the latter equal to 50% of the Restricted shares. These shares will be released respectively three and five years after the date of the award provided the individual employee has remained in service. Awards to Executive Directors under the scheme to date have been as follows:

	1998 Restricted	1998 Additional	1999 Restricted	1999 Additional	2000 Restricted	2000 Additional
D.A. Fischel	6,410	3,205	6,111	3,056	10,412	5,206
J.I. Saggers (appointed 13.12.99)	5,114	2,557	5,334	2,667	6,500	3,250
F.B. Sher	4,350	2,175	3,777	1,889	6,353	3,176
A.C. Smith	3,460	1,730	5,000	2,500	5,647	2,824

Mr D. Gordon had a non-beneficial interest in 1,419,978 ordinary shares held by The Donald Gordon Foundation (1998 – nil).

Liberty International PLC 5.5% Subordinated Convertible Bonds Beneficial interests were held by Mr D. Gordon (£1,170,000), Mr G.J. Gordon (£250,000) and Dr C.B. Strauss £nil (1998 – £202).

Capital & Counties plc ordinary shares of 25p each A non-beneficial interest of 400 shares was held by Mr D.A. Fischel.

Capital Shopping Centres 6.25% Subordinated Convertible Bonds Beneficial interests were held by Mr R.A.M. Baillie (£1,072), Mr G.J. Gordon (£45,000), and Mr P. Sober (£2,500).

31 Directors' interests continued

(b) In share options in the company The following Directors had options to subscribe for shares in the company:

Director	Year granted	Option price	Number of share options held At 31 December 1998	Number of share options granted in year	Number of share options exercised in year or lapsed*	At 31 December 1999	Exercisable between
The Liberty International Holdings PLC Executive Share Option Scheme 1987							
D.A. Fischel	1995	322	17,500			17,500	10/08/1998 – 10/08/2005
J.I. Saggers	1993	322	25,000			25,000	19/08/1993 – 19/08/2000
	1995	322	35,000			35,000	10/08/1995 – 10/08/2002
	1996	331	40,000			40,000	18/03/1996 – 18/03/2003
A.C. Smith	1994	366	20,000			20,000	06/09/1997 – 06/09/2004
	1995	322	17,500			17,500	10/08/1998 – 10/08/2005
The Liberty International Holdings PLC Incentive Share Option Scheme 1990							
D.A. Fischel	1995	322	22,500			22,500	10/08/1998 – 10/08/2005
	1996	331	50,000			50,000	18/03/1999 – 18/03/2006
	1998	613	30,000		30,000*	–	27/03/2001 – 27/03/2008
	1999	419		160,000		160,000	12/03/2002 – 12/03/2009
D. Gordon	1991	306	314,521		314,521	–	07/03/1994 – 07/03/2001
J.I. Saggers	1999	419		50,000		50,000	12/03/2002 – 12/03/2009
F.B. Sher	1998	613	80,000		80,000*	–	27/03/2001 – 27/03/2008
	1999	419		60,000		60,000	12/03/2002 – 12/03/2009
A.C. Smith	1991	306	3,670			3,670	07/03/1994 – 07/03/2001
	1992	169	40,000			40,000	22/09/1995 – 22/09/2002
	1993	322	15,000			15,000	19/08/1996 – 19/08/2003
	1995	322	12,500			12,500	10/08/1998 – 10/08/2005
	1996	331	30,000			30,000	18/03/1999 – 18/03/2006
	1998	613	25,000		25,000*	–	27/03/2001 – 27/03/2008
	1999	419		60,000		60,000	12/03/2002 – 12/03/2009
The Liberty International PLC Incentive Share Option Scheme 1999							
D.A. Fischel	1999	475		21,000		21,000	11/08/2002 – 11/08/2009
J.I. Saggers	1999	475		17,500		17,500	11/08/2002 – 11/08/2009
F.B. Sher	1999	475		56,000		56,000	11/08/2002 – 11/08/2009
A.C. Smith	1999	475		17,500		17,500	11/08/2002 – 11/08/2009

*The options shown above for the 1987 and 1990 Schemes were originally over ordinary shares in Liberty International Holdings PLC. Under the terms of the Scheme of Arrangement completed on 24 June 1999, these options were rolled over and now relate to ordinary shares in Liberty International PLC, except for the grant at 613p and shown as first exercisable on 27/03/2001 above. This grant was cancelled and replaced by the grant under the Liberty International PLC Incentive Share Option Scheme 1999 at 475p and shown as first exercisable on 11/08/2002.

Mr Gordon exercised options on 25 August 1999 over 314,521 shares when the market price was 474p per share. The total difference between the exercise price and market price was £528,395 (1998 – nil). As at 3 February 2000, Mr Gordon had retained a beneficial interest in 100,000 of the shares over which options were exercised.

None of the above options lapsed in the year, other than the grant cancelled as described above.

The market value of the shares at 31 December 1999 was 458p and during the year the price varied between 499p and 414p.

(c) No Director had any dealings in the shares of any group company between 31 December 1999 and 28 January 2000, being the date one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these accounts, no Director of the company had a material interest in any contract (other than service contracts), transaction or arrangement with any group company during the year ended 31 December 1999.

32 Employees' information

	1999 £000	1998 £000
Wages and salaries	25,359	20,405
Social security costs	2,381	1,850
Other pension costs	1,529	1,230
	29,269	23,485

At 31 December 1999 the number of persons employed was 1005 (1998 – 882).

The average number of persons employed during the year was:

	1999 Number	1998 Number
Liberty International PLC	46	52
Capital Shopping Centres PLC	683	719
Capital & Counties plc	100	112
Liberty International Financial Services Group	119	65
	948	948

33 Pensions

The Group operates a number of pension schemes in the United Kingdom, USA and, for part of the year, Australia. The assets of the schemes are held in separate trustee-administered funds. The major scheme, the Capital & Counties Group Retirement Benefit Scheme ("the UK Scheme"), which accounts for approximately 80% of the aggregate assets in valuation terms is a defined benefit scheme, as is one of the smaller arrangements; these two schemes were closed to new entrants in 1997/98, reflecting the company's move towards the provision of future retirement benefits via defined contribution/personal pension arrangements. The other schemes are defined contribution schemes.

The pension costs relating to the UK defined benefit schemes are assessed in accordance with the advice of an independent qualified actuary. All pension costs of group schemes are charged to the profit and loss account so as to spread the costs of pensions evenly over the normal expected service lives of employees.

The latest actuarial valuation of the Scheme was carried out at 6 April 1999 using the Attained Age Valuation method, at which date the market value of its assets was £30.5 million, and the actuarial value of the assets was sufficient to cover 125% of the benefits that had accrued to the members after allowing for expected future increases in earnings. The main assumptions used in the valuation were:

Projected Investment Return	8.00 %
Projected Average Salary Increases	6.50 %
Projected Average Pension Increases	3.75 %
Projected Dividend Growth	4.75 %

The Group has continued for a number of years to pay contributions on the basis recommended by the independent scheme actuary at a level appropriately reduced to avoid overfunding of the Scheme against the permitted level of surplus allowed by the Inland Revenue. The Group has, however, made or released provisions to ensure that the cost of pensions are spread evenly over the normal expected service lives of employees and, at 31 December 1999, the pension creditor amounted in aggregate to £1.9 million (1998 – £1.9 million).

The pensions contributions to the UK Scheme which were charged to the profit and loss account, were £0.1 million (1998 – £0.2 million), to the other UK pension schemes were £1.2 million (1998 – £1.1 million) and for the overseas schemes, which are defined contribution schemes, were £0.1 million (1998 – £0.1 million).

Group companies act as administrators, and provide investment management services, for certain UK employee related group pension and defined contribution personal pension arrangements. The provision of such services are related party transactions. Where fees are charged they are on a scale previously negotiated and are not significant. Pension funds of the Liberty International group administered by Liberty Pensions companies were £10.5 million at 31 December 1999 (1998 £7.9 million).

Details of property portfolio
Shopping centres

Lakeside, Thurrock
100% interest
1.36 million sq.ft. of retail and leisure space with four department stores, 297 shops, kiosks and restaurants, two food courts, a seven screen cinema and parking for 13,000 cars. Freehold.

MetroCentre, Gateshead
90% interest
1.59 million sq.ft. of retail and leisure space with two department stores, 307 retail units, a food court, an 11 screen cinema, and parking for 10,000 cars.

Braehead, Glasgow
100% interest
800,000 sq.ft. of retail and leisure space, with 107 shops, kiosks and restaurants, 2 ice rinks, 4,000 seat arena, 260,000 sq.ft. of retail park and parking for 6,500 cars. Freehold.

The Harlequin, Watford
93% interest
705,000 sq.ft. of retail space with a department store, 148 shops, kiosks and restaurants, a food court and parking for 2,050 cars.

The Glades, Bromley
63.5% interest
416,000 sq.ft. of retail space with four major stores, 128 other shops, a food court and parking for 1,530 cars.

The Victoria Centre, Nottingham
38.6% effective interest
820,000 sq.ft. of retail space with three major stores, 113 shops and kiosks, a supermarket, a 129,700 sq.ft. market hall, 36,000 sq.ft. of offices and parking for 2,750 cars. Freehold.

Eldon Square, Newcastle upon Tyne
30% interest
961,000 sq.ft. of retail space with three major stores, 145 shops and kiosks, a supermarket and a 76,000 sq.ft. market hall plus 37,000 sq.ft. of offices.

The Potteries, Hanley, Stoke-on-Trent
35% interest
551,000 sq.ft. of retail space with a department store, 97 shops and kiosks, a 37,000 sq.ft. market hall, a food court and parking for 1,240 cars.

The Ridings, Wakefield
28.6% interest in the main scheme and 100% interest in All Saints Walk
345,000 sq.ft. of retail space with 97 shops, a supermarket, a food court and parking for 1,100 cars.

Under development,

The Chimes, Uxbridge
100% interest
420,000 sq.ft. of retail space with a department store, 75 shops, a nine screen cinema and parking for 1,600 cars. Freehold.

To open Spring 2001.

Braehead phase 2
100% interest
30,000 sq.ft. of offices with planning consent for a further 70,000 sq.ft. and a hotel.
A planning application has been lodged for a 264,000 sq.ft. IKEA store on land adjoining the retail park. A master plan has been prepared for a mixed use development covering a further 165 acres.

Details of property portfolio Major properties

West End and MidTown offices/retail
Piccadilly, W1; Foxglove House, Dudley House, Egyptian House, Empire House and Piccadilly Arcade
65,000 sq.ft. offices and 35,000 sq.ft. retail.

Regent Street, W1; Radnor House, Victory House, Carrington House, and Walmar House
75,000 sq.ft. offices and 45,000 sq.ft. retail.

Hammersmith, W6; Commonwealth House
110,000 sq.ft. offices.

26/40 and 201/7 Kensington High Street, W8;
65,000 sq.ft. retail/restaurant, 45,000 sq.ft. leisure and 30,000 sq.ft. offices.

190 Strand, WC2;
170,000 sq.ft. offices.

Long Acre, WC2; Floral Place
40,000 sq.ft. retail and 15,000 sq.ft. offices.

M25 and South East offices
Hayes; Capital Place, Bath Road
51,000 sq.ft.

Slough; St Martins Place and Capital Point, Bath Road
105,000 sq.ft. in two buildings.

Uxbridge; Capital Court
59,000 sq.ft. being developed.

Welwyn Garden City; Capitol, Shire Park
150,000 sq.ft. to be developed.

Borehamwood; Imperial Place
124,000 sq.ft. to be extended by 125,000 sq.ft. gross

Cheshunt; Turnford Place
58,500 sq.ft.

Basingstoke; The Crescent
112,000 sq.ft.

Chandlers Ford; Hampshire Corporate Park
170,000 sq.ft.

Portsmouth; One Port Way, Port Solent
61,000 sq.ft.

Milton Keynes; 500 Avebury Boulevard
82,200 sq.ft.

Cambridge; Capital Park
90,000 sq.ft. being refurbished and 162,000 sq.ft. to be developed.

Cambridge; Lockton House
28,000 sq.ft. offices.

Peterborough; Peterborough Business Park
127,000 sq.ft.

Retail and leisure UK cities
Manchester; Market Street
510,000 sq.ft. department store.

Leeds; Headrow
265,000 sq.ft. department store and 55,000 sq.ft. offices.

Liverpool; Renshaw Street
450,000 sq.ft. department store.

Oxford;
179,000 sq.ft. retail space forming part of the Westgate Shopping Centre.

Cardiff; The Hayes Centre
101,000 sq.ft. retail units and 55,000 sq.ft. offices.

Swansea; Whitewalls, Oxford Street and Union Street
62,000 sq.ft. retail surrounding Swansea Market.

Stafford; Queens Retail Park
145,000 sq.ft. retail warehouse units.

Rochester; Medway Valley Leisure Park
154,000 sq.ft. leisure units.

Provincial offices
Birmingham; 54 Hagley Road and Somerset House
192,000 sq.ft.

United States
Pacific Financial Center, 800 West Sixth Street, Los Angeles
213,000 sq.ft. offices.

Ghirardelli Square, San Francisco
175,000 sq.ft. speciality retail centre (50% interest).

Parnassus Heights Medical Center, 350 Parnassus Avenue, San Francisco
62,500 sq.ft. of offices (50% interest).

Jackson Square Shopping Center, Hayward, California
108,000 sq.ft. community shopping centre anchored by a supermarket, drug store and major health club.

The Willows Shopping Center, Concord, California
235,000 sq.ft. community shopping centre anchored by large and medium sized category dominant retailers.

The Marketplace, Davis, California
112,500 sq.ft. community shopping centre anchored by a supermarket and drug store.

The Senator, Sacramento, California
171,000 sq.ft. offices.

Sanwa Bank Building, Pasadena, California
113,000 sq.ft. offices.

Five year record

	Liberty International Holdings PLC				Liberty International PLC	
	1995 £m	1996 £m	1997 £m	1998[1] £m	1998 £m	1999 £m
Balance sheet						
Investment properties						
UK shopping centres	1,264.1	1,548.1	1,923.9	2,441.6	2,473.7	2,969.3
Other	575.1	625.3	676.3	709.2	709.2	787.4
	1,839.2	2,173.4	2,600.2	3,120.8	3,182.9	3,756.7
Investment in associated company	–	–	–	–	–	–
Insurance assets attributable to unit linked policyholders	–	–	1,668.9	2,104.9	2,104.9	3,210.7
Other assets less current liabilities	458.4	391.9	447.1	486.4	430.9	172.1
Total assets less current liabilities	2,297.6	2,565.3	4,716.2	5,712.1	5,718.7	7,139.5
Long term debt	(568.2)	(450.9)	(477.8)	(660.8)	(772.8)	(883.3)
Subordinated convertible bonds – group	(245.1)	(298.9)	(327.5)	(324.0)	(227.1)	(213.4)
Liabilities attributable to unit linked policyholders	–	–	(1,668.9)	(2,104.9)	(2,104.9)	(3,210.7)
	1,484.3	1,815.5	2,242.0	2,622.4	2,613.9	2,832.1
Share capital and reserves	1,207.8	1,410.5	1,732.6	2,024.0	2,015.5	2,230.1
Minority interests	276.5	405.0	509.4	598.4	598.4	602.0
Total shareholders' funds including minority interests	1,484.3	1,815.5	2,242.0	2,622.4	2,613.9	2,832.1

	Liberty International Holdings PLC				Liberty International PLC	
	1995 £m	1996 £m	1997 £m	1998[1] £m	1998 £m	1999 £m
Deployment of share capital and reserves by activity						
UK shopping centres	791.2	1,036.8	1,251.8	1,450.4	1,450.4	1,683.5
Commercial property	217.1	259.7	338.6	394.2	394.2	469.6
Financial services and treasury	444.6	344.9	373.9	404.8	170.9	77.0
	1,452.9	1,641.4	1,964.3	2,249.4	2,015.5	2,230.1
Liberty International Holdings subordinated convertible bonds	(245.1)	(230.9)	(231.7)	(225.4)	–	–
Share capital and reserves	1,207.8	1,410.5	1,732.6	2,024.0	2,015.5	2,230.1

[1] The figures previously reported by Liberty International Holdings PLC for 1998 are included for comparison to the 1998 corresponding amounts for Liberty International PLC prepared under merger accounting principles.

	Liberty International Holdings PLC				Liberty International PLC	
	1995 £m	1996 £m	1997 £m	1998[(i)] £m	1998 £m	1999 £m
Profit and loss account						
Operating profit						
UK shopping centres	51.3	80.0	94.3	103.5	106.8	114.9
Commercial property	53.7	58.7	66.0	64.3	65.2	62.1
Other	1.0	0.6	(2.6)	(0.7)	(4.9)	0.6
Administrative expenses	(10.4)	(11.1)	(16.1)	(17.5)	(17.5)	(18.7)
	95.6	128.2	141.6	149.6	149.6	158.9
Income from associates	29.9	–	–	–	–	–
Net interest payable	(31.7)	(32.9)	(30.4)	(23.1)	(28.0)	(33.5)
Profit before taxation and exceptional items	93.8	95.3	111.2	126.5	121.6	125.4
Exceptional items	109.9*	5.1	15.1	–	–	(2.2)
Profit on ordinary activities before taxation	203.7	100.4	126.3	126.5	121.6	123.2
Profit for the financial year attributable to shareholders	161.5	70.7	89.6	82.4	77.5	77.0
Ordinary dividends	(42.0)	(44.4)	(50.6)	(61.0)	(61.0)	(64.3)
Other dividends arising out of group reorganisation	–	–	–	–	–	(5.1)
"A" and "B" convertible preference dividends	(11.1)	(11.1)	(9.9)	(5.9)	–	–
Transfers to retained profit	108.4	15.2	29.1	15.5	16.5	7.6

*In 1995 the investment in Sun Life was sold resulting in an exceptional profit of £109.9 million. As part of the same transaction the company repurchased and cancelled 40 million ordinary shares at a cost of £128 million.

	Liberty International Holdings PLC				Liberty International PLC	
	1995	1996	1997	1998[(i)]	1998	1999
Per share information						
Dividends per ordinary share	14.50p	16.00p	17.60p	19.00p	19.00p	20.50p
Earnings per share before exceptional items	17.56p	19.77p	22.85p	24.74p	23.71p	25.12p
Earnings per share	51.00p	21.62p	28.19p	24.74p	23.71p	23.91p
Earnings per share (fully diluted)	44.82p	22.55p	27.44p	24.91p	23.71p	23.91p
Net assets per share	375p	436p	531p	606p	615p	711p
Net assets per share (fully diluted)	395p	445p	525p	589p	605p	696p
Ordinary shares in issue*	305.3m	308.7m	314.0m	323.3m	327.8m	313.6m
Ordinary shares in issue assuming full dilution	368.6m	368.1m	374.9m	383.1m	355.6m	337.0m

*Including "A" convertible preference shares which converted into ordinary shares during 1998.

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