

# Capital & Regional

Preliminary results presentation 20 March 2007

## Preliminary Results

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- Overview Martin Barber
- Financials William Sunnucks
- Divisional reports
  - Shopping Centres Ken Ford
  - Retail Parks John Gatley
  - Leisure PY Gerbeau
  - Business development Xavier Pullen
- Questions



## Highlights

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- Financial highlights
    - NAV +29%
    - Property under management +26%
    - Recurring profits +39%
    - Dividend +44%
  - Out performance, especially the Mall
  - New portfolios in new growth sectors
  - Earnings business and German portfolio strengthening cash flow
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## Financial results - agenda

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1. Income statement
2. Dividend growth
3. Investment returns
4. Balance sheet



## 1. Income statement

	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>£m</b>
Recurring profit before tax	32.3	23.1
Performance fees less variable overhead	44.3	32.3
Performance fee back charge*	(20.4)	(17.1)
Revaluations, disposal profits and other	194.7	160.4
Tax	(28.6)	4.0
Accounting profit after tax	222.3	202.7

\* C&R's share of the cost of the performance fee born as co-investor in the funds



## Recurring profit before tax

	<b>2006</b>	<b>2005</b>	<b>Increase</b>
	<b>£m</b>	<b>£m</b>	
Property Investment			
- UK	11.3	10.3	
- Germany	5.8	0.9	
Property management	13.4	10.2	
Sno!zone	1.8	1.7	
	<hr/>	<hr/>	
	32.3	23.1	39%




## Performance fees

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	<b>2006 £m</b>	<b>2005 £m</b>
Mall	35.6	29.6
Junction	16.6	17.2
X-Leisure	10.4	4.1
Total	62.6	50.9
Less variable overhead	(23.8)	(18.6)
Discounting of CAP liability	5.5	-
Net performance fees	44.3	32.3

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## Revaluations and disposal profits

	Revaluation surplus £m	Disposal profits £m	Other non- recurring items
Mall	84.1	1.9	
Junction	40.7	(0.2)	
X-Leisure	9.1	0.4	
Germany	14.7		
Fix	9.8		
Swansea Morfa		5.3	
Other	5.8	3.7	(4.1)
Swaps mark to market	23.5		
Revaluation of property and swaps	187.7	11.1	(4.1)
	 £194.7m		

Note: we have €176m of fixed rate debt for our German portfolio which is held at book value. Its current value shows C&R a gain of £3.1m, which is not adjusted in the IFRS balance sheet but is adjusted for NAV calculation purposes.



## Tax charge

	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>£m</b>
Profit before tax	<u>250.9</u>	<u>198.7</u>
Current year charge (6.7%)	16.8	8.5
CULS redemption premium deductible		(13.0)
Prior year adjustments	<u>11.8</u>	<u>0.5</u>
Tax charge (11.4%)	28.6	(4.0)

### NOTE

- Fee income is mostly taxable, especially performance fees
- German income taxable (but no trade tax)
- Deferred tax charge needed on £23.5m loan mark to market

### BUT

- No CGT on gains in Jersey
- No CGT on unit sales
- More tax efficient than as a REIT

## 2. Dividend growth

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	<b>2006</b>	<b>2005</b>	<b>Increase</b>
	<b>pps</b>	<b>pps</b>	<b>%</b>
<b>Interim</b>	9	7	29%
<b>Final</b>	17	11	55%
<b>Total</b>	26	18	44%

Dividend cover is 119% using fully taxed recurring profits only



## Dividend track record

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<b>Dividend</b>	<b>Pence per share</b>	
Dec 1996	3.0p +20%	<p>24%pa</p> <p>42%pa</p>
Dec 1997	3.5p +17%	
Dec 1998	4.25p +21%	
Dec 1999	5.0p +18%	
Dec 2000	5.5p +10%	
Dec 2001	6.0p +9%	
Dec 2002	7.0p +17%	
Dec 2003	9.0p +29%	
Dec 2004	14.0p +56%	
Dec 2005	18.0p +29%	
Dec 2006	26.0p + 44%	

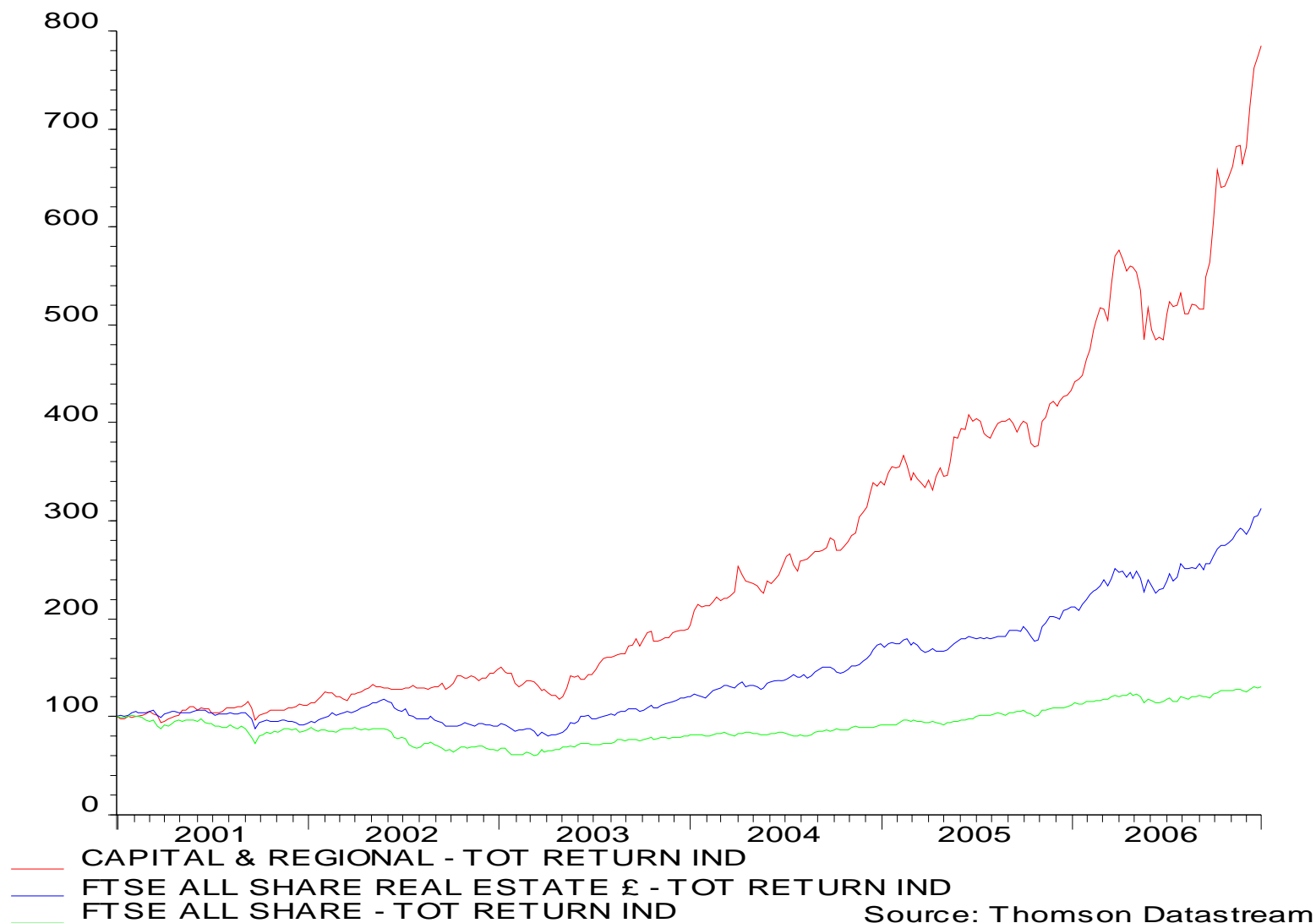
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### 3. Investment returns

	<b>2006 total £m</b>	<b>2005 total £m</b>
<b>Total return</b>	223.9	203.1
<b>Opening shareholders' funds</b>	707.7	501.2
<b>Return on equity</b>	31.6%	40.5%

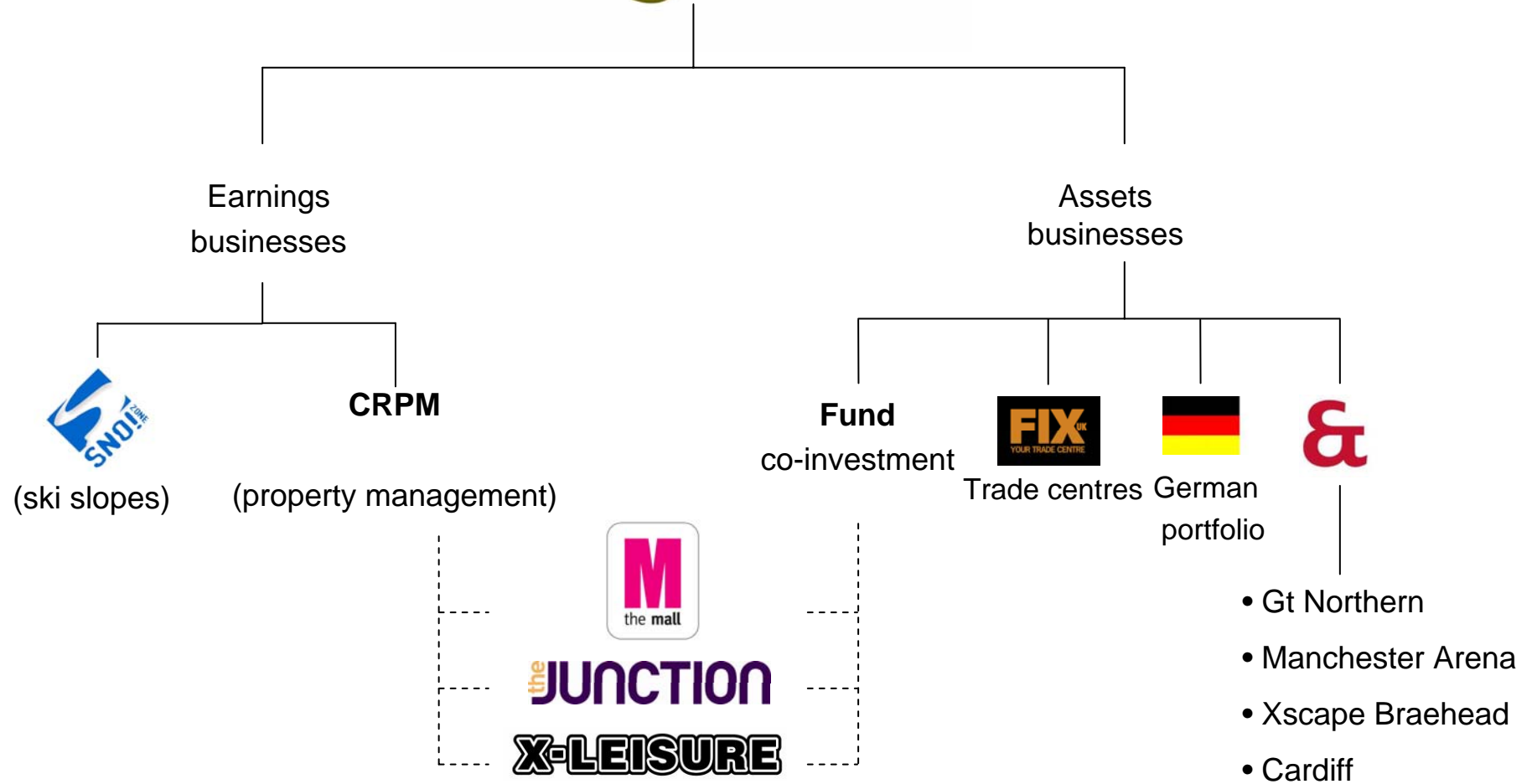
	<b>Accounting returns (TAR)</b>	<b>Returns to shareholders (TSR)</b>
<b>Increase in NAV per share/share price</b>	29.4%	78%
<b>Dividend and other effects</b>	2.2%	3%
<b>Total return</b>	31.6%	81%

# Total shareholder return index against FTSE Real Estate and FTSE all share



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Investment  
Strategy



## Valuing C&R

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	£m	per share (pence)
Triple net NAV – see note 7	921.4	1272
Realisation of 2 Xscapes at £192m	4.3	6
Tangible assets at February 2007	925.7	1278
 <u>Plus present value of:</u>		
• Property management profits (CRPM)	?	?
• Performance fee profits (CRPM)	?	?
• Sno!zone profits	?	?
Company value	?	?

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## Property management business

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	<b>2006 £m</b>	<b>2005 £m</b>
Property management fees	27.4	22.8
Fixed management expense *	(14.0)	(12.6)
Recurring profit	<u>13.4</u>	<u>10.2</u>
Performance fees	62.6	50.9
Variable overhead & other	(20.4)	(18.6)
Performance related cash flow	<u>42.2</u>	<u>32.3</u>
Total profit	55.6	42.5

*\* Includes amortisation of goodwill. Excludes 20% of cost allocated to the property ownership business*

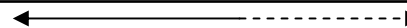
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## Performance fee pipeline

	2006 £m	2007 £m	2008 £m	2009 £m
* From 2004 performance	17.9			
* From 2005 performance	22.6	22.6		
* From 2006 performance	22.1	22.1	22.1	
* From 2007 performance		TBE	TBE	TBE
* From 2008 performance			TBE	TBE
	62.6	44.7	22.1	
Per share	£0.87	£0.62	£0.31	

TBE = To Be Earned



Not on balance sheet

*Health warning: this third/third/third model is an approximation only.  
The actual formula is more complex.*


## Sno!zone profit

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	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>£m</b>
Income	13.0	9.3
Expenses	(10.3)	(7.6)
Cash profit	2.7	1.7
Tenant incentives	(0.9)	-
Accounting profit	1.8	1.7



## 4. Balance sheet – three presentations – 30 December 2006

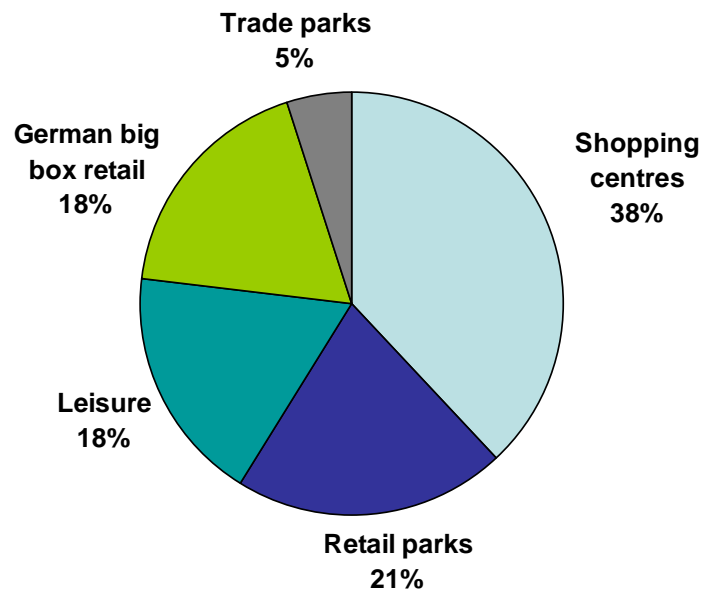
	<b>Enterprise</b>	<b>See through</b>	<b>Statutory</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Mall</b>	3,185	772	401
<b>Junction</b>	1,575	430	245
<b>X-Leisure</b>	815	86	42
<b>Xscapes</b>	256	140	51
<b>Germany</b>	382	359	381
<b>Trade Parks</b>	110	110	110
<b>JVs and wholly owned</b>	181	133	117
<b>Total property</b>	6,504	2,030	1,347
<b>Working capital etc</b>	(64)	21	24
<b>Debt</b>	(3,239)	(1,138)	(458)
<b>Net assets</b>	3,201	913	913
<b>C&amp;R Shareholders</b>	913	913	913
<b>Fund Investors</b>	2,288		
<b>Total equity</b>	3,201	913	913
<b>Loan to Value</b>	50%	56% 	34%
<b>Gearing (debt/equity)</b>	101%	125%	50%

## Portfolio growth 2006

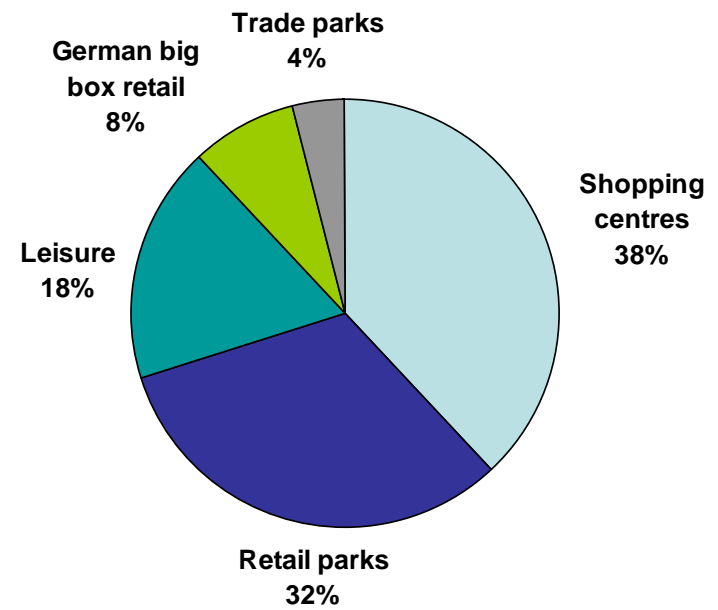
	<b>£m</b>
Property under management at 30 December 2005	5,139
Acquisitions	
Mall purchase of two shopping centres (net)	387
Additions to Fix trade park portfolio	33
Additions to German portfolio	229
Manchester Arena (30% share)	67
Other (inc capital and development expenditure)	163
Disposals	
Junction sale of 4 retail parks	(160)
Revaluation surpluses	599
Property under management at 30 December 2006	<u>6,457</u>

# C&R property exposure by segment (% of £2.03billion)

**2006**

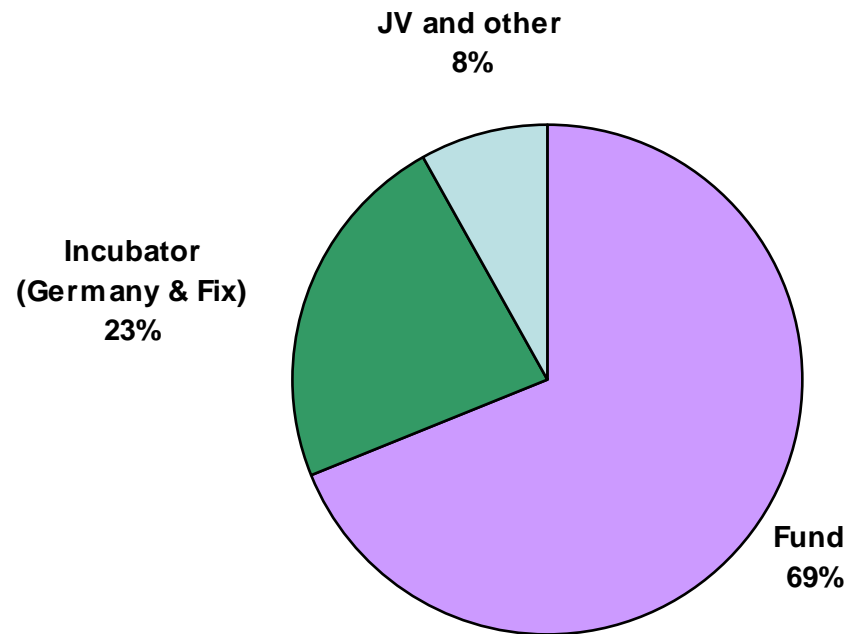


**2005**



# C&R property exposure by type

(% of £2.03billion – after Xscape merger into X-Leisure)



## Treasury statistics

<b>Treasury statistics (see through basis)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Average cost of borrowing	5.23%	5.10%	5.69%	5.46%	5.45%
% fixed	82.3%	75.1%	72.0%	83.0%	20.5%
Duration (months)	48	52	29	69	54
Interest margin %	0.67%	0.74%	1.11%	1.08%	1.10%
Interest cover (PBIT / I)	1.58	1.54	1.63	1.63	1.30
Year end gearing (debt / equity %)	125%	129%	126%	129%	122%
% of euro assets hedged	96%	100%	-	-	-
Fair value of interest rate swaps					
– interest rate swaps	17.0	(6.5)	0.3	2.8	(6.6)
– fixed debt	3.1	0.5	-	-	-

## Fund performance

<b>Fund performance over the last 3 years</b>	<b>Geared return (IRR)</b>	<b>Ung geared return (IRR)</b>	<b>Relevant Benchmark return (IRR)</b>
Mall 2004	26.0%	19.6%	17.1%
Mall 2005	22.8%	16.5%	16.3%
Mall 2006	26.3%	17.6%	12.7%
Junction 2004	35.6%	24.0%	23.5%
Junction 2005	34.1%	23.3%	22.1%
Junction 2006	18.3%	15.0%	14.7%
X-Leisure 2004 (9 months)	18.0%	11.4%	8.9%
X-Leisure 2005	28.3%	15.3%	12.0%
X-Leisure 2006	30.4%	19.7%	12.0%
German portfolio	34.2%	15.2%	-
Fix UK	37.6%	*20.8%	17.6%

\* excluding acquisition costs




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shopping as it should be

## The Mall fund statistics

	30 December 2006	30 December 2005
<b>Gross property asset value</b>	£3.125bn	£2.338bn
<b>No. of properties</b>	23	21
<b>No. of lettable units</b>	2,404	2,118
<b>Initial property yield</b>	4.56%	5.09%
<b>Equivalent yield</b>	5.21%	5.73%
<b>No. of investors</b>	45	36
<b>C&amp;R share</b>	24.2%	26.1%
<b>Debt</b>	£1.50bn	£1.06bn



- growth\*

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	2006	
ERV*	+5.8%	(+4.9%)
Rental income*	£130.6m	(+3.8%)
Ancillary revenue*	£6.6m	(+40%)
Car parking*	£8.1m	(+29%)
Footfall*	-2.5%	(NI -2.5%)
Total footfall	230.7m	

\* LFL : 21 Mall comparison





## – investor performance

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	<b>2006</b>	<b>2005</b>
Property level	17.6%	16.5%
IPD benchmark	12.7%	16.3%
Fund level	26.3%	22.8%
Since March 2002	18.6%pa	Property level
	26.8%pa	Fund level





## – retail climate

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	2006	2005
Lettings	264	192
Rent reviews settled	182 (+5.4%)	179
Lease renewals	50	21
Average occupancy	95.3%	95.8%
Strategic vacancies	1.1%	1.3%
Available to let	3.6%	2.9%





## – retail climate

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Failures	2006	2005
Retailers	14	18
Units	35	53
Rent	£2.55m (1.7%)	£4.15m (2.7%)

### Reletting

	<b>88 units</b>	<b>£6.70m</b>
Relet	49	(+1.85%)
Admin	19	£1.3m
Available	20	£1.1m





## – retail climate

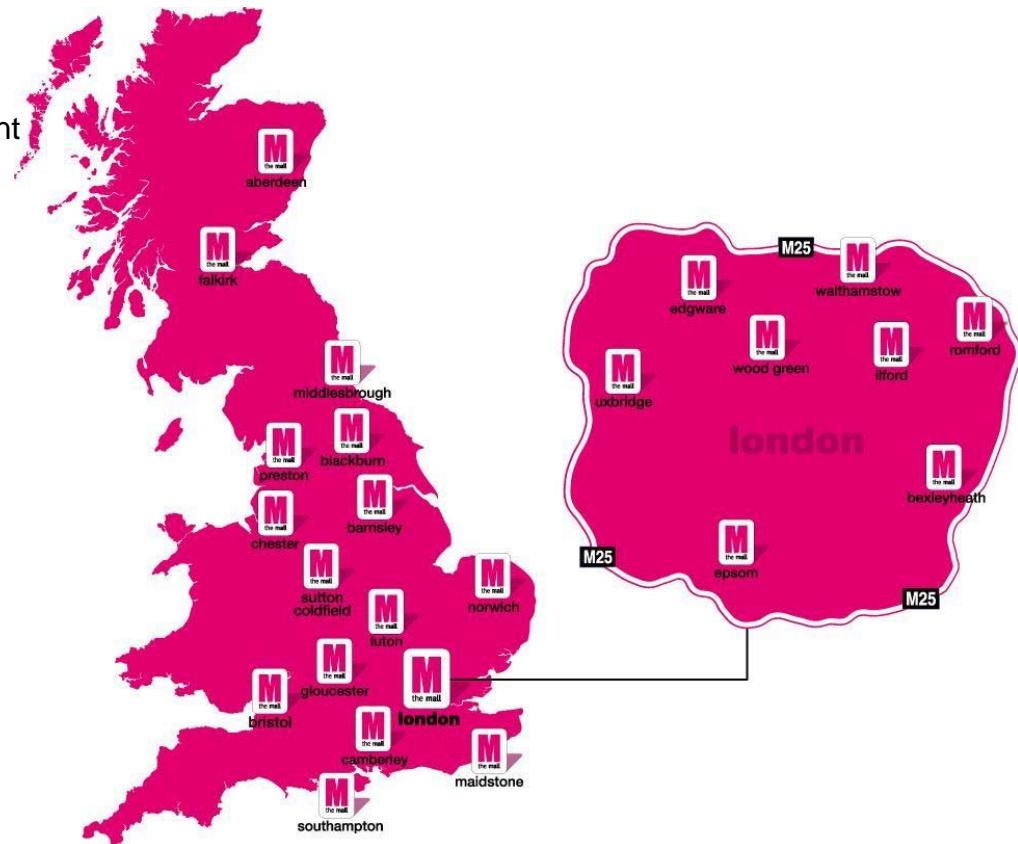
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	Q1 07	Q1 06
Retailers	9	8
Units	22	18
Rent	£1.63m (1.1%)	£1.78m (1.2%)



# Our Malls – performance pipeline

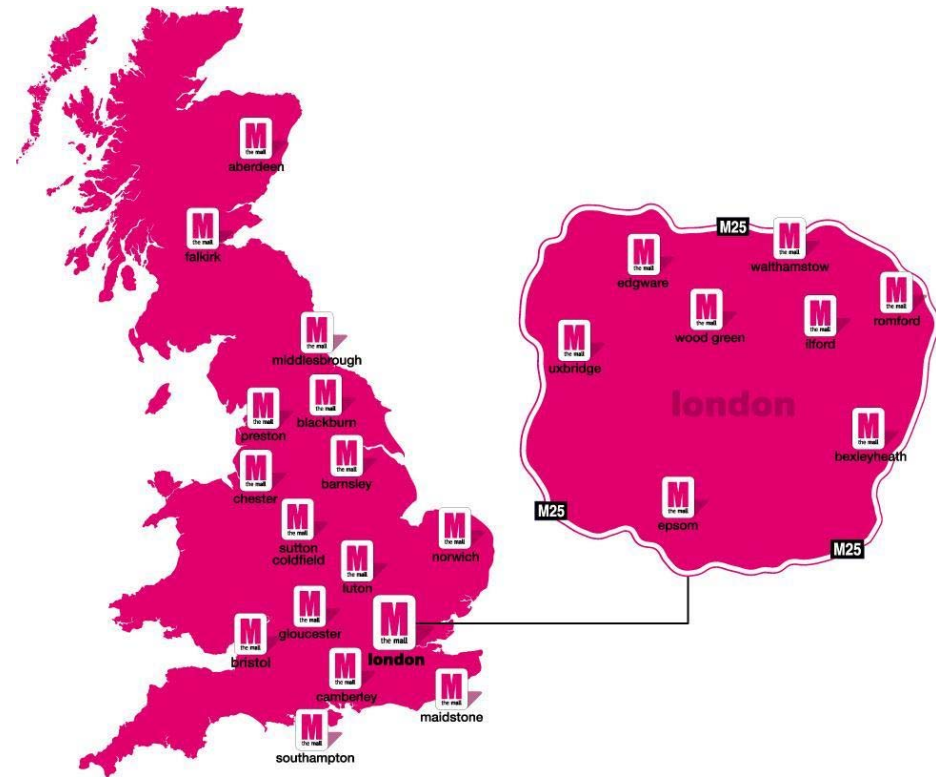
Aberdeen	-	Refurbishment / Primark opening
Falkirk	-	Reconfiguration / Desire opened
Middlesbrough	-	Reconfiguration / H&M/ George / Top Shop / New Look opened Car Park purchase and refurbishment
Blackburn	-	Extension – planning received / Pre-lettings
Preston	-	Reconfiguration
Barnsley	-	Adjacent new development
Chester	-	Car Park / Food Court / Extension
Sutton Coldfield	-	Being covered
Norwich	-	Lettings & Reconfiguration
Luton	-	Master planning Phase 1 George Square extension
Gloucester	-	Reconfiguration and extension
Bristol	-	Extension / refurbishment / adjacent development
Southampton	-	Re-modelling extension
Camberley	-	Extension
Maidstone	-	Pre-let development





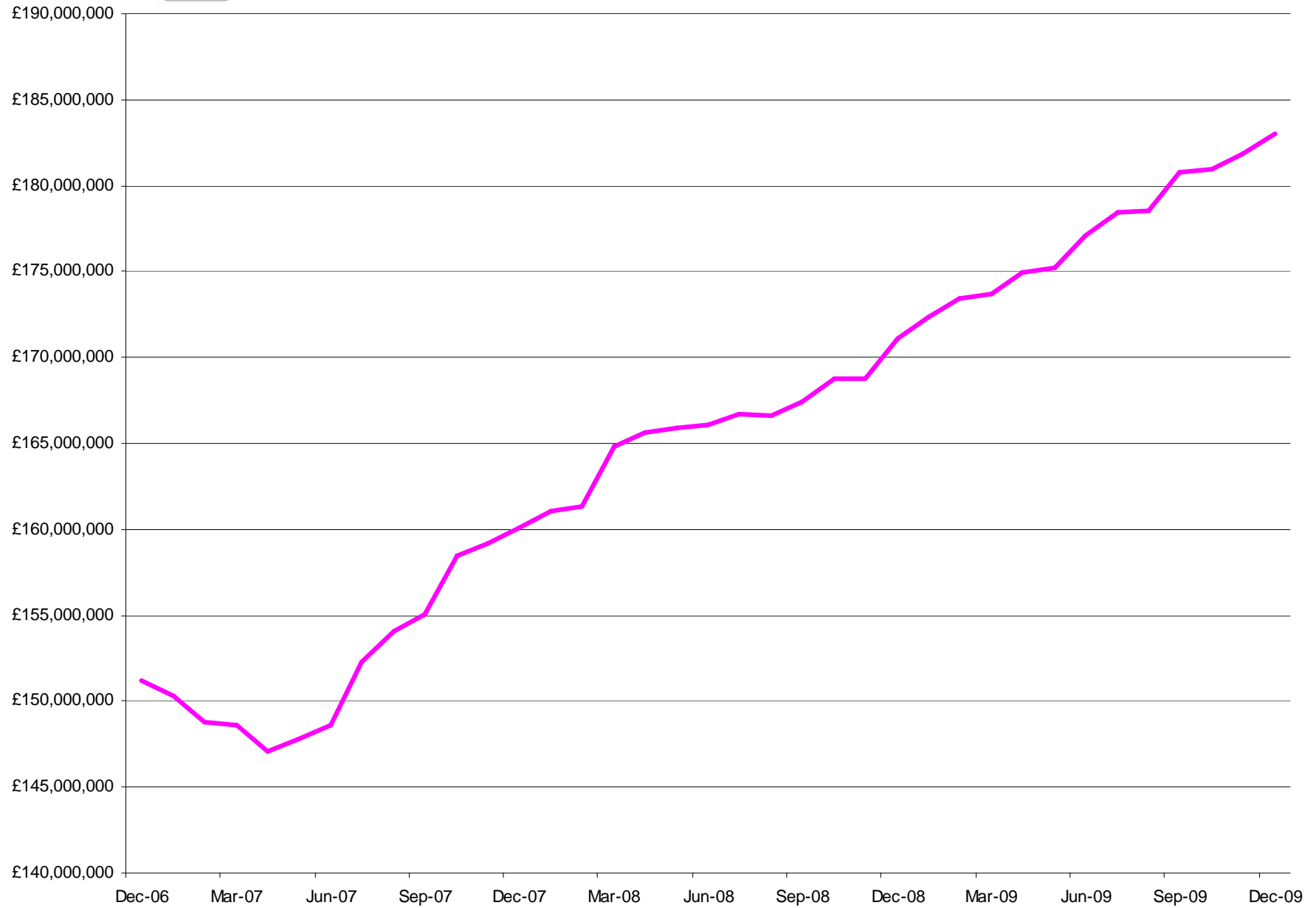
## Our Malls - pipeline

- Uxbridge - Car Park / re-modelling
- Edgware - Extension (250,000 sq ft)
- Wood Green - Extension (100,000 sq ft)
- Walthamstow - Extension (80,000 sq ft)
- Ilford - Reconfiguration
- Romford - Reconfiguration
- Bexleyheath - Refurbishment
- Epsom - Reconfiguration





## Valued Net Income projection - 2007 Business Plan



the **JUNCTION**

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## Retail park activities

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- **The Junction Fund**
  - fund statistics
  - market segmentation
  - 2006 highlights
  - 2006 performance
  - 2007 pipeline
- **Morfa Shopping Park, Swansea**
- **Capital Retail Park, Cardiff**



## The Junction fund statistics

<b>the JUNCTION</b>	<b>At 30 December 2006</b>	<b>At 30 December 2005</b>
<b>Property asset value</b>	£1,590m	£1,459m
<b>No. of retail parks</b>	16	19
<b>No. of units</b>	233	258
<b>Initial property yield</b>	3.29%	3.47%
<b>Equivalent yield</b>	4.45%	4.86%
<b>No. of investors</b>	13	7
<b>C&amp;R share</b>	27.3%	27.3%
<b>Bank debt</b>	£696m	£686m

## Retail warehouse park segmentation

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		<b>the JUNCTION</b>	
<b>Fashion</b>	Open A1	2	Telford, Swansea
<b>Prime retail parks</b>	Open A1	4	Aberdeen, Leicester, Thurrock, Oxford
	Hybrid/mixed	2	Bristol, Slough
	Bulky goods	8	Aylesbury, Glasgow, Hull, Maidstone, Paisley, Portsmouth, Wembley, Worcester
<b>Secondary</b>	Open A1	-	Sold
	Bulky goods	-	Sold
<b>Solus</b>		-	

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- 
- £105m new acquisitions (fashion park – Morfa Shopping Park, Swansea)
  - £160m sale of secondary assets
  - Rental growth 3.6% LFL
  - Void rate – 6.0% (available to let)
  - Prime portfolio assembled – 45% open A1
  - Continued performance through:
    - New developments/extensions
      - 230,000sqft new space & widened consent
      - 600,000sqft mezzanine space reserved
      - 110,000sqft constructed
    - Refurbishments – 85,000sqft
    - Asset management
-

## The Junction investor performance

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<b>the JUNCTION</b>	<b>Geared Return (IRR)</b>	<b>Ung geared Return (IRR)</b>	<b>Benchmark (IRR)</b>
<b>2005</b>	34.1%	23.3%	22.1%
<b>2006</b>	18.3%	15.0%	14.7%
<b>3yrs ending 2006</b>	29.1%	20.7%	20.1%

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# The Junction - Pipeline



- Oldbury - 460,000sqft new development
- Wembley - 60,000sqft reconfiguration
- Bristol - 56,000sqft new development/ Extension
- Paisley - 50,000sqft new development/ Extension
- Aylesbury - 16,000sqft new development/ Extension
- Portsmouth - 7,000sqft new development/ Extension
- Swansea - 7,000sqft new development/ Extension
- Oxford - 6,000sqft new development/ Extension
- refurbishment
- Thurrock - comprehensive redevelopment
- Maidstone - refurbishment
- Leicester - refurbishment

## Other retail park activities

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- **Morfa Shopping Park, Swansea**
  - sold to The Junction Fund in October 2006
  - project cost £65m, end value at sale £105m



## Other retail park activities

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- **Capital Retail Park, Cardiff**
  - anchored by Asda, Costco and JJB
  - joint venture with local developer
  - further pre-lets being sought
  - start on site anticipated June 2007



# X-LEISURE



- Leisure property, still great value for money as an asset class
- Q1 transactions – further yield compression
- A3 market is aggressive in terms of acquisition
- Confirmation of successful business model
- Smoking ban/binge drinking – working with partners



- X-Leisure Fund
- Xscape
- Sno!zone Holdings
- Other Leisure activities:
  - Gt Northern
  - Hemel Hempstead
  - Manchester Evening News



## The X-Leisure Fund

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- 30.4% geared return, 19.7% ungeared
- Doubling performance fees to £10m
- Top quartile of AREF Universe
- Gross asset value increase of 15.1%
- 3.6% ERV growth
- Very active asset management



## X-Leisure fund statistics

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<b>X-LEISURE</b>	<b>At 28 Feb 2007</b>	<b>At 30 Dec 2006</b>	<b>At 30 Dec 2005</b>
<b>Gross property asset value</b>	£917m	£807m	£701m
<b>No. of properties</b>	18	17	17
<b>No. of units</b>	350	295	295
<b>Initial yield</b>	4.86%	4.99%	5.68%
<b>Equivalent yield</b>	5.58%	5.73%	6.32%
<b>No. of investors</b>	18	18	17
<b>C&amp;R share</b>	20.0%	10.59%	10.72%
<b>Bank debt</b>	£443m	£402m	£394m

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**Xscape**

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- February 2007: the X-Leisure Fund acquired Xscape Castleford/Leeds and Xscape Milton Keynes
- C&R total leisure exposure remains unchanged but diversified over a larger portfolio
- C&R holds 29.1m units in the X-Leisure fund, increasing from 10.6% to 20.02%
- Transaction : £192m, £36.7m profit





## SNO!zone Holdings

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- Stellar growth and performance in 2006 with record operating profit 2006 of £2.7m vs 2005 of £1.7m
  - £1m (55%) increase from 2005
  - 15% increase in LFL turnover year on year from £9.3m to £10.7m
  - Very experienced and top quality management team increased its depth ensuring organic growth and potential external growth opportunities
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## Other Leisure activities

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### **Gt Northern Warehouse, Manchester**

Opening of the London Clubs International Casino, Manchester235 in 45,000sqft of the vacant warehouse space

The residual space under offer to Luminar Leisure plc subject to planning and licensing. Applications for both have been submitted

### **Leisure World, Hemel Hempstead**

First generation leisure park, refurbishment/redevelopment opportunity for mixed use scheme

### **Manchester Evening News Arena**

JV with GE Capital, C&R 30% ownership



## New business development


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- On C&R balance sheet
- Continuing to look at new business areas
- Utilising specialised management expertise
- Joint ventures and special opportunities: Gt Northern and MEN Arena Manchester, Swansea, Cardiff, Hemel Hempstead
- Germany and Fix UK



## German Portfolio Statistics

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	At 30 December 2006	At 30 December 2005
<b>Property asset value</b>	€ 567m	€ 198m
<b>No of properties</b>	44	13
<b>Initial property yield</b>	6.0%	6.6%
<b>C&amp;R share</b>	92%	87%
<b>Bank debt</b>	€ 419m	€ 149m

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## Germany investment highlights

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- Almost trebled the German Portfolio in 2006
- Continued focus on out of town big box retail
- Returns 2006:
  - geared return: 43.8% before tax
  - revenue profit: €7.8m after all costs excluding tax
- First asset management initiatives are beginning to materialise
- More positive signals from German economy



## Fix UK fund statistics

	<b>At 28 February 2007 (Estimated)</b>	<b>At 30 December 2006</b>	<b>At 30 December 2005</b>
<b>Property asset value</b>	£143.1m	£109.8m	£67.6m
<b>No of properties</b>	33	24	18
<b>No. of units</b>	195	162	145
<b>Initial property yield</b>	4.70%	4.51%	5.50%
<b>Equivalent yield</b>	5.69%	5.72%	6.37%
<b>C&amp;R share</b>	100%	100%	100%
<b>Bank debt</b>	£79m	£70m	£50m

## Trade centre highlights

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- Good pipeline of further acquisitions
- Capital surplus for 2006 was £9.8m
- Geared return 37.5%
- Average passing rent and ERV remain low (£5.90 and £6.50 per ft<sup>2</sup>)
- Occupational market remains strong with significant opening targets being set by tenants
- Estimated 1000 trade parks across UK with a value of circa £5bn
- Over 100 national and regional occupiers of stature
- Prime Trade Parks rents circa £15 per sq ft
- Capital & Regional is already the largest owner of trade parks





## Outlook

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- We expect further yield shift this year
- We hope to see further expansion of all three funds. Also additions to our trade park and German assets
- Our business model is working well



## Capital & Regional track record

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	<b>NAV per share</b>	<b>Dividend per share</b>
Dec 1996	220p +19%	3.0p +20%
Dec 1997	272p +24%	3.5p +17%
Dec 1998	317p +16%	4.25p +21%
Dec 1999	370p +17%	5.0p +18%
Dec 2000	350p -5%	5.5p +10%
Dec 2001	336p -4%	6.0p +11%
Dec 2002	392p +17%	7.0p +17%
Dec 2003	521p +33%	9.0p +29%
Dec 2004	710p +36%	14.0p +56%
Dec 2005	983p +38%	18.0p +40%
Dec 2006	1272p +29%	26.0p +44%

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# Preliminary Results Presentation 2006

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**20 March 2007**

