

Capital & Regional

Annual Results Presentation

18 March 2010

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Introduction

Introduction

- > Challenging first half of 2009 followed by recovery and return to profitability in the second half of the year
- > Capital raising and refinancing of the Group facilities mark a turning point for the Company
- > Further actions to de-gear and to anticipate re-financings show that management is not complacent about the challenges ahead
- > Focus is shifting from income protection to income recovery and from shrinkage to growth

2009 Highlights

> Profitability	
Full year loss before tax	£113.4m
H2 profit before tax	£17.4m
> Property under management	£3.1bn
> EPRA NAV per share	£0.47
> Net Gearing (net debt to equity)	48%
> Average Net Initial Yield UK portfolio	7.53%

Operational review

Tenant data

Occupancy levels	Mall	Junction	X-Leisure	Germany
30 December 2009	95.0%	93.7%	94.7%	98.1%
30 September 2009	94.2%	93.2%	94.2%	98.1%
30 June 2009	94.0%	91.0%	94.0%	98.1%
31 March 2009	92.7%	91.2%	95.2%	98.1%
30 December 2008	94.0%	93.5%	95.5%	98.2%

- Good progress in re-letting significant administrations (Woolworths, MFI, Allied Carpets) from Q4 2008 and Q1 2009
- Occupancy boosted by temporary lettings to small units, particularly in the Mall

Tenant data

Passing rent *	Mall	Junction	X-Leisure	Germany
	£m	£m	£m	€m
30 December 2009	128.9	39.0	45.3	45.3
30 June 2009	131.3	39.1	45.7	45.3
30 December 2008	138.2	39.5	45.2	44.9

- Overall (3.6)% movement for portfolio in 2009
- 5% of the 6.7% reduction in the Mall came in H1 2009
- Leisure and Germany continue to deliver resilient performance

* Passing rent (gross rental income excluding tenant incentives) on a like for like basis

Tenant data

Administrations	Mall		Junction		X-Leisure		Germany	
	Units	Rent Roll £m	Units	Rent Roll £m	Units	Rent Roll £m	Units	Rent Roll £m
H1 2009	103	7.4	5	1.5	6	0.7	2	0.1
H2 2009	26	1.3	5	1.2	8	0.7	1	0.0
Full year 2009	129	8.7	10	2.7	14	1.4	3	0.1
		(5.8% of rent roll)		(5.7% of rent roll)		(2.6% of rent roll)		(0.2% of rent roll)

- Strong performance from Leisure and Germany offsets impact from Mall and Junction
- Significant slow down in administrations H2 vs H1

Tenant data

2009

New lettings*	Mall	Junction	X-Leisure	Total UK	Germany
Number	75	9	27	111	11
Passing rent	£2.9m	£2.3m	£0.7m	£5.9m	€1.3m
Comparison to ERV	(5.4)%	(11.5)%	(37.2)%	(11.6)%	

Rent reviews

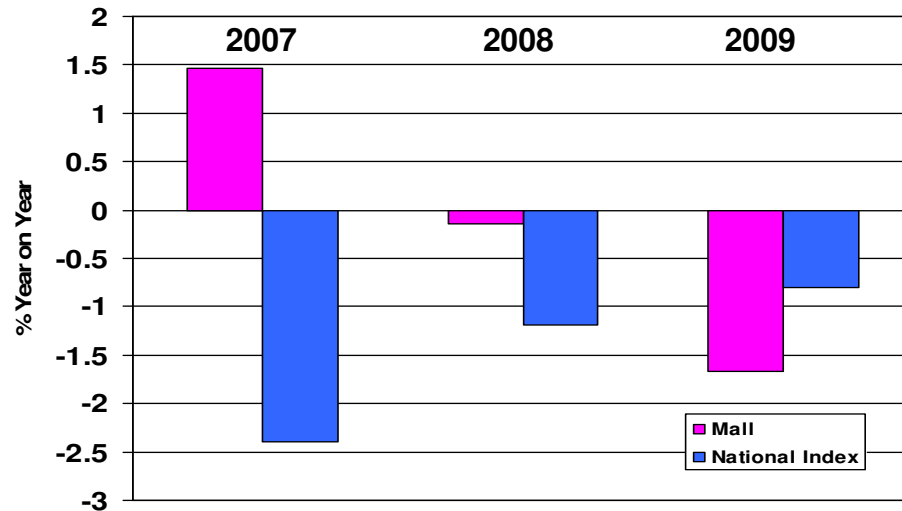
Number	197	21	32	250
Passing rent	£18.1m	£9.0m	£5.0m	£32.1m
Comparison to ERV	5.1%	(0.8)%	4.1%	3.3%

- X-Leisure lettings primarily represent leases with fixed uplifts trending towards ERV
- Strong rent review performance compared to 2008

* Excluding temporary lettings and turnover rent

The Mall Footfall

Total visits to 20 Malls in 2009 – 209.5million (-1.7% vs -0.8% National Footfall Index)



> 11 Outperforming Malls

Including Wood Green +8.8%
Luton +5.3%
Southampton +2.9%

> 9 Underperforming Malls – Predominantly those where Woolworths vacated

> Marketing Programme – focused on driving sales eg Reward Me Card, Spend Me Card and seasonal promotions

The Woolworths Story

Q1 2009 – Woolworths vacated 10 units:

6 Direct Tenancies £2m pa rent
 £1.5m pa service charge

4 Related Occupations

Q1 2010 Position:

Direct	Barnsley	Unit assignment to Iceland	
	Bexleyheath	Unit let to H&M and New Look	
	Blackburn	Unit let to Peacocks/New Look	
	<u>Wood Green</u>	<u>Unit let to New Look</u>	
	Secured Rent		£1.7m
	Sutton Coldfield	Under offer to multiple fashion operator	
	<u>Bristol</u>	<u>Strong value interest</u>	
	Proforma total rent to be achieved		£2.2m

Related Occupation

Ilford	Let to Wilkinsons
Camberley	Under offer to multiple value operator
Falkirk	Under offer to multiple value operator
Gloucester	Under offer to multiple department store operator

Blackburn

Let to Peacocks/New Look

- > Unit status vacant
- > Void costs £280k
- > Unit ERV £250k

- > Units let as follows:

New Look/Peacocks	10 year leases
	Combined rent £606k

- > Net rental income uplift post transaction: £886k



Bexleyheath

Let to New Look / H&M

- > Unit status vacant
- > Void costs £356k
- > Unit ERV £415k

- > Units let as follows:
 - New Look/H&M 10 year leases
 - Combined rent £500k pa + turnover

- > Net rental income uplift post transaction: £856k + turnover



Wood Green

Let to New Look

- > Unit let as follows:
 - 10 year lease (no breaks)
- > Rent in line with previous passing rent (+ turnover top up) but at discount to ERV
- > Best performing footfall Mall in portfolio
 - 2009 vs 2008 +8.76%
 - Jan 2010 vs Jan 2009 +17%



The Junction – Best Buy

- > 50,000 sq ft unit, in disrepair and vacant since the Courts administration in November 2004
- > Best Buy looking for a strategic store in London area, on a motorway junction, for launch in the UK
- > Exchanged contracts in July 2009 at £900,000 pax
- > Opening April 2010
- > A number of other stores committed for 2010 openings
- > Further development opportunities in prime retail location



The Junction – Allied Carpets

- > Entered administration in July 2009 with 4 stores in Junction portfolio, at a passing rent of £893,000 pax
- > Aylesbury continued to trade and pay rent under the new co, the other 3 stores closed immediately
- > Bristol – immediate short term letting to minimise landlord liabilities, in line with medium term strategic plan for Bristol
- > Maidstone – creates an opportunity for a Currys megastore as there is currently no PC World in Maidstone. Advanced discussions with Currys for a lease on a 24,700 sq ft unit
- > Thurrock – negotiated a new co Allied Carpets, on existing terms with rent free to fit-out, but no capital



2009 Annual Results

Financial highlights

	December 2008	Half Year - June 2009	December 2009
Property under management	£4.0bn	£3.2bn	£3.1bn
Net assets	£186m	£51m	£130m
EPRA NAV per share	£1.74 *		£0.47
Triple net diluted NAV per share	£1.33 *		£0.37
Recurring pre tax profit	£27.6m	£10.3m	£17.5m
Loss before tax	£(516)m	£(131)m	£(113)m
Group debt	£113m	£119m	£80m
Gearing (net debt/equity)	58%	226%	48%
Total see through debt	£836m	£705m	£633m

* *Restated*

Income statement

	December 2008	H1 2009	H2 2009	December 2009
	£m	£m	£m	£m
Recurring profit before tax	27.6	10.3	7.2	17.5
Performance fees	(7.5)	-	-	-
Revaluation	(373.9)	(128.2)	19.8	(108.4)
Swaps	(47.8)	0.8	(0.5)	0.3
Deemed disposal	(28.8)	(2.9)	(4.3)	(7.2)
Disposals loss	(42.3)	(2.8)	(6.6)	(9.4)
Impairments	(39.9)	(6.0)	2.3	(3.7)
Other non-recurring	(3.7)	(2.0)	(0.5)	(2.5)
(Loss)/profit before tax	(516.3)	(130.8)	17.4	(113.4)

Recurring profit before tax

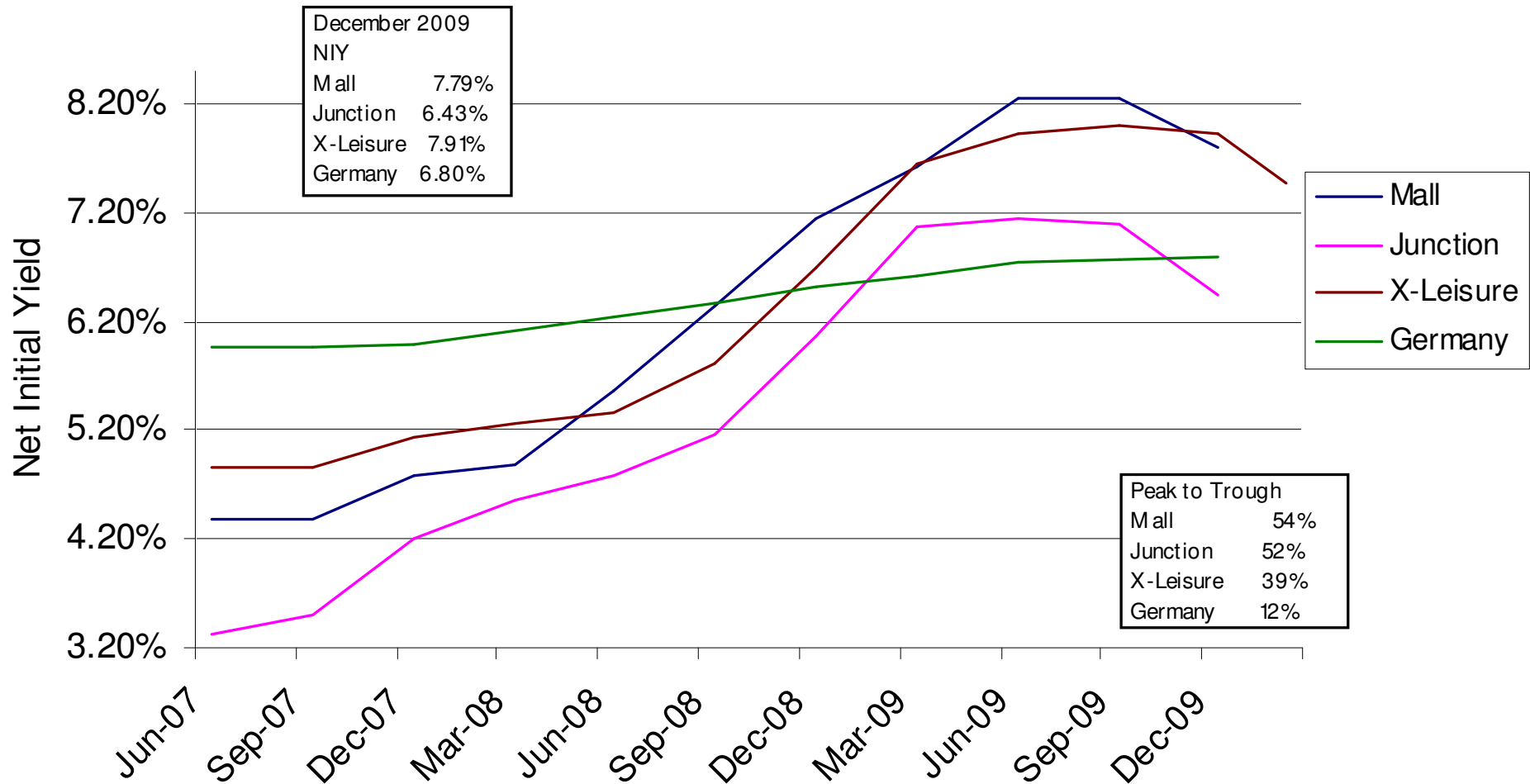
	December 2008	H1 2009	H2 2009	December 2009
	£m	£m	£m	£m
Asset Management Fees	14.9	5.5	3.4	8.9
Service Charge & Other Fees	7.9	3.4	4.8	8.2
Fixed Management Expenses	(13.9)	(6.2)	(4.7)	(10.9)
Property Management	8.9	2.7	3.5	6.2
UK Property Investment	6.1	3.4	1.1	4.5
Germany Property Investment	11.1	3.1	2.7	5.8
SNO!zone	1.5	1.1	(0.1)	1.0
Total	27.6	10.3	7.2	17.5

Constituents of NAV

The year end NAV is broken down as follows:

	Property Assets £m	Other assets/liabilities £m	NAV £m	% of Net Assets
Funds				
Mall	220.2	(187.5)	32.7	25.2
Junction	76.9	(50.9)	26.0	20.0
X-Leisure	61.7	(43.5)	18.2	14.0
Total	358.8	(281.9)	76.9	59.2
Joint Ventures				
Braehead/Manchester Arena	44.5	(38.4)	6.1	4.7
Germany	267.4	(219.8)	47.6	36.7
Total	311.9	(258.2)	53.7	41.4
Wholly –owned				
Hemel Hempstead	10.0	(8.5)	1.5	1.2
Great Northern	72.0	(68.2)	3.8	2.9
10 LGP/Beeston Place	12.7	(7.1)	5.6	4.3
Total	94.7	(83.8)	10.9	8.4
Other				
Working Capital	0.0	(11.7)	(11.7)	(9.0)
Total	765.4	(635.6)	129.8	100

Portfolio Net Initial Yields



Summary of Group Debt

- Total on balance sheet debt at December 2009 of £80.4m less cash of £17.5m = Net debt of £62.9m

		Covenant	Year end 2009
1. Group revolving £58m facility	- ICR	> 150%	896%
(not drawn at year end 2009)	- Asset cover	> 200%	N/A
	- Gearing	< 200%	12%
2. Great Northern	- ICR	> 135%	153%
(£65.2m drawn)	- LTV	< 100%	91%
3. Lower Grosvenor Place	- LTV	< 80%	74%
(£7.4m drawn facility repaid on 11/3/10)			
4. Hemel Hempstead	- ICR	> 150%	324%
(£7.8m drawn)	- LTV	Holiday until 18/2/11	N/A

Summary of Fund Covenants

The fund principal facilities were all covenant compliant at year end 2009.

		Covenant	31/12/09
Mall	ICR - Historic	> 130%	167%
	- Look forward	> 130%	166%
	LP Deed LTV		78%
The Junction	ICR - Historic	> 130%	143%
	- Look forward	> 130%	152%
	LTV*	< 90%	64.9%
X-Leisure	ICR	> 130%	168%
Revolver	LTV	< 90%	68%

*Because the LTV is <65%, the interest margin is 75bps lower and there is no cash sweep, so distributions can recommence.

Other joint ventures

- Braehead - Based upon year end valuation LTV of 93% verses covenant of 85%. Discussions between the lender and the Partnership as to potential solutions to the breach are well advanced.
- ICR compliant.
- MEN
- Advanced negotiations to sell the property.
 - Cash in partnership available to cure any LTV breach.
 - ICR compliant.

Summary of German Debt

- > Six German portfolios financed separately. Three of which with LTV's.
- > LTV covenants on two facilities at risk but can be remedied using cash generated by German joint venture.
- > All ICR covenants met at 31 December 2009.
- > Refinancing of debt maturing in 2010
 - Bank of Scotland - credit approval has been obtained for €46m*
 - Eurohypo – credit approval has been obtained for €65m
 - The credit approvals will extend the weighted average unexpired loan term for the German loan portfolio from 34 months to 44 months
 - No new equity required
- > Refinancing of debt maturing in 2011
 - “ABN Amro” portfolio currently €167m drawn – discussions are under way

* Due to the sale of two properties only €40m will be refinanced

Dividends

- > The Board is not recommending to pay a dividend for 2009.
- > The Board intends to restart dividends when it considers it prudent to do so.
- > Dividends will be linked for the foreseeable future to the company's cash generating capability, and will normally be restricted to not more than 50 percent of operating cash flow less interest and tax.

Future strategy

Strategy

Financial resources and co-investment partners are now in place to support future development.

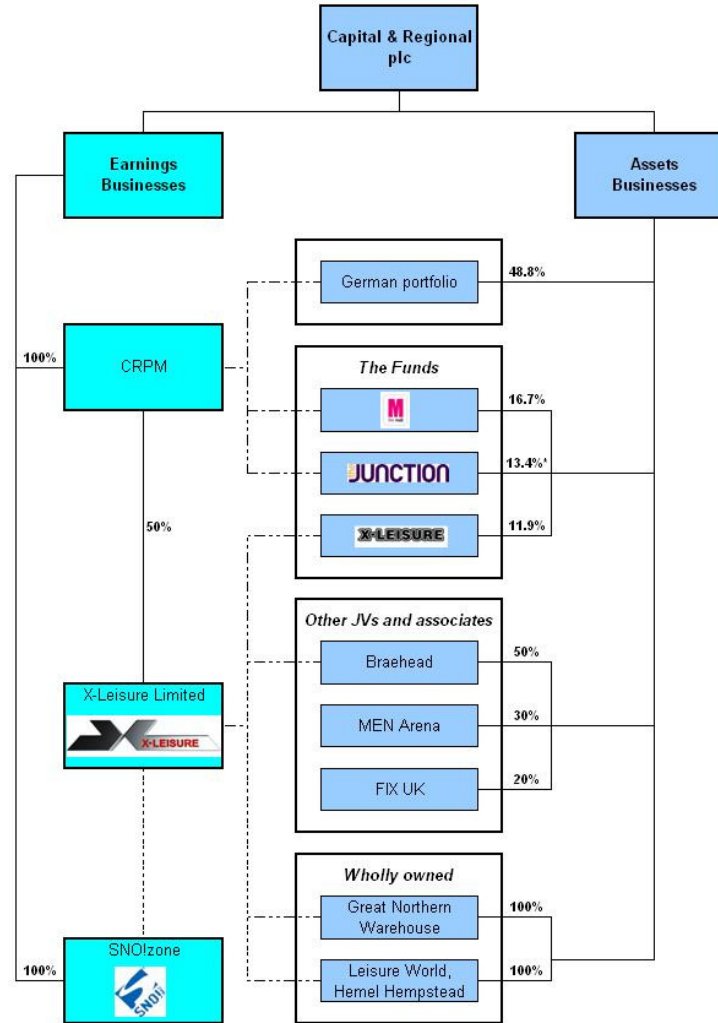
Focus on:

- > Continuing anticipation of refinancing needs across portfolio (in particular Mall CMBS maturing in 2012)
 - > Improving the value of the capital invested in the three UK funds and in Germany
 - > Direct investment in retail and leisure where able to leverage available capital
 - Scope for additional £1.5bn AUM from existing resources
 - Additional funds and joint ventures
 - > Expansion of the management platform – organically or by way of acquisition
-

Questions & Answers

Appendix

Group structure



* subject to possible adjustment

Fund actions to date

	Mall	Junction	X-Leisure
Refinancing	Completion in June 2008 of £286m capital raise; proceeds used to repay RBS bank facility in full and as a consequence the fund has no effective LTV covenant	Completion in May 2009 of £63.6m capital raise, facility refinancing and restructuring of the fund	Completion in July 2009 of £50m capital raise and refinancing of various facilities
Property sales	<ul style="list-style-type: none"> ▪ Sale of Chester, Epsom and Edgware shopping centres in July 2008 for £286m, representing a 6.0% net initial yield ▪ Sale of Bexleyheath Shopping Centre in December 2009 for £97.9m, representing a 7.6% net initial yield ▪ Sale of Aberdeen shopping centre in February 2010 for £47.4m, representing a 7.9% net initial yield ▪ Sale of Preston Shopping Centre in March 2010 for £87.0m, representing a net initial yield of 7.6% 	<ul style="list-style-type: none"> ▪ Sale of Great Western Retail Park, Glasgow, for £58.5m in March 2008, representing a 5.8% net initial yield ▪ Sale of the Templars Retail Park, Oxford for £57m in August 2008, representing a 5.7% net initial yield ▪ Sale of St George Retail Park, Leicester, in November 2008 for £32m, representing a 8.2% net initial yield ▪ Sale of Victory Industrial Estate, Portsmouth, in April 2009, for £1.65m, representing a 9.3% net initial yield ▪ Sale of Kittybrewster Retail Park, Aberdeen and Slough Retail Park in December 2009 for £81.7m, representing a 8.6% net initial yield 	<ul style="list-style-type: none"> ▪ Sale of 02 Centre in April 2009 for £92.5m, representing a 7.8% net initial yield ▪ Sale of Grants Croydon in March 2010 for £32.5m, representing a 7.6% net initial yield
Other	<ul style="list-style-type: none"> ▪ Active management of refinancing in advance of maturity in April 2012 	<ul style="list-style-type: none"> ▪ Extension of life of fund until July 2013 ▪ Asset management fees re-negotiated ▪ Governance structure adapted to reflect the source of equity and the new 'opportunity' nature of the fund 	<ul style="list-style-type: none"> ▪ Extension of life of fund until December 2014 ▪ Review of fund strategy to take place in 2012 to consider liquidity of units and exit options ▪ Management activities transferred to X-Leisure Limited (50% JV with Hermes)

Three balance sheets at 30 December 2009

	Enterprise £m	See through £m	Statutory £m
Fund properties			
Mall	1,391	233	33
Junction	552	74	26
X-Leisure	512	62	18
Joint venture properties			
Germany	532	266	32
Other joint ventures	108	41	(2)
Wholly-owned properties			
Great Northern, Hemel Hempstead and others	94	94	94
Total property (IFRS basis)	3,189	770	201
Working capital etc	109	(7)	9
Debt	(2,588)	(633)	(80)
Net assets	710	130	130
C&R shareholders	130	130	130
Fund and joint venture investors	580	-	-
Total equity	710	130	130
Triple diluted NAV per share			£0.37
EPRA diluted NAV per share			£0.47
See through LTV*		82%	

*Excludes our share of cash in Mall of £41m part of which reflected proceeds of sale of Bexleyheath

Off balance sheet debt (C&R share)

	Debt at 30 December 2009 £m	Average interest rate %	Fixed %	Duration of fixing (months)	Duration to loan expiry (months)
Mall (16.7% share)	208.4	5.01%	100%	28	28
Junction (13.4% share)	50.3	7.56%	100%	51	51
X-Leisure (11.9% share)	42.3	7.07%	100%	50	50
Germany (48.8% share)	212.6	4.68%	100%	20	35
Other JVs (30-50% share) *	38.8	5.70%	91%	4	39
Off balance sheet debt	552.4	5.32%	99%	25	35

* Excluding FIX UK where the Group has written down its investment to £nil

Yields

	December 2008	Yield Shift (bps)	September 2009*	Yield shift (bps)	December 2009	February 2010
Initial yields						
Mall	7.14%	112	8.26%	(47)	7.79%	
Junction	6.06%	104	7.10%	(67)	6.43%	
X-Leisure	6.71%	130	8.01%	(10)	7.91%	7.46%
UK weighted average	6.83%	113	7.96%	(43)	7.53%	
German joint venture	6.51%	24	6.73%	7	6.80%	
Nominal equivalent yields*						
Mall	8.50%	136	9.86%	(72)	9.14%	
Junction	7.03%	136	8.39%	(81)	7.58%	
X-Leisure	7.75%	126	9.14%	(14)	9.00%	
UK weighted average	8.05%	137	9.42%	(63)	8.79%	

* Nominal equivalent yields in Germany are equal to initial yields

+ June 2009 for Germany as the portfolio is not valued in September

Net assets per share reconciliation

December 2009	Net assets £m	Number of shares (m)	Net assets per share (£)
Basic	129.8	350.6	0.37
Own shares held	-	(2.2)	
Fair value of fixed rate loans (net of tax)	(1.6)		
Triple net diluted net assets per share	128.2	348.4	0.37
Exclude fair value of fixed rate loans (net of tax)	1.6		
Exclude fair value of derivatives	30.0		
Exclude deferred tax	3.0		
EPRA triple net diluted net assets per share	162.8	348.4	0.47

Forward Looking Statement

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties.

Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of government regulators and other risk factors such as the Group's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Group operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis.

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