

# Interim Results Presentation



**Capital & Regional**



18 September 2003



## Introduction

“During the first six months of this year we have begun to see the rewards of the new strategy of converting the company into a co-investing asset manager”.

Martin Barber  
Chief Executive





## 2003 Interim Presentation - Agenda

- Financials
- Operating Review
- Questions and answers





## Financial Highlights

- Properties managed up from £1.5bn to £2.6bn
- Net asset value per share up 11.6% in six months on a fully diluted basis
- Profit before tax up to £8.3m
- Total return £36.8m
- Interim dividend increased from 3p to 4p



## Track Record

	NAV per share	Dividend per share
Dec 1996	223p + 20%	3.0p + 20%
Dec 1997	272p + 28%	3.5p + 17%
Dec 1998	321p + 18%	4.25p + 21%
Dec 1999	376p + 17%	5.0p + 18%
Dec 2000	360p - 4%	5.5p + 10%
Dec 2001	343p - 5%	6.0p + 11%
Dec 2002	388p + 15%	7.0p + 17%
<i>June 2003</i>	<i>433p +11.6%*</i>	<i>4.0p (June 2002: 3.0p)</i>

*\* 6 months only*





## Profit and loss account

	6 months to 30/6/2003 £m	6 months to 30/6/2002 £m
Profit before exceptionals and disposals	6.4	5.4
Exceptionals	-	-7.2
Disposals	1.9	-1.0
Profit before tax	8.3	-2.8
Tax	-2.7	-0.0
Profit after tax	5.6	-2.8
EPS	9.0p	-3.9p
DPS	4p	3p





# Segmental Contributions

	30 June 2003	30 June 2002
	£000	£000
Asset Management fees	7,130	2,644
Snow slope business	101	218
Share of JVs and associates	7,041*	4,629
Wholly owned properties	756	3,245
Total contribution	<u>15,028</u>	<u>10,736</u>
Property management overhead	-8,081	-5,344
Amortisation of goodwill	-581	-
Exceptional items		-7,178
Profit on disposals (net)	<u>1,895</u>	<u>-976</u>
Profit before exceptionals and tax	<u>8,261</u>	<u>-2,762</u>

\* We bear £2,359,000 of asset management fees as an investor in the funds (June 2002 - £1,316,000)





# Costs

	6 months to 30/6/2003 £000	6 months to 30/6/2002 £000
Fixed:		
C&R (up 6%)	5,245	4,952
MWB increment	637	-
Variable (ie performance related)	2,199	584
Other operating income	-	-192
Total	<u>8,081</u>	<u>5,344</u>







# Total Return

	6 months to 30/6/2003	6 months to 30/6/2002
	£m	£m
Profit before tax	8.3	-2.8
Revaluation movements	31.1	21.0
Tax	-2.6	-1.6
Total return	<hr/> 36.8	<hr/> 16.6
Return on equity for the period	13.6%	6.2%



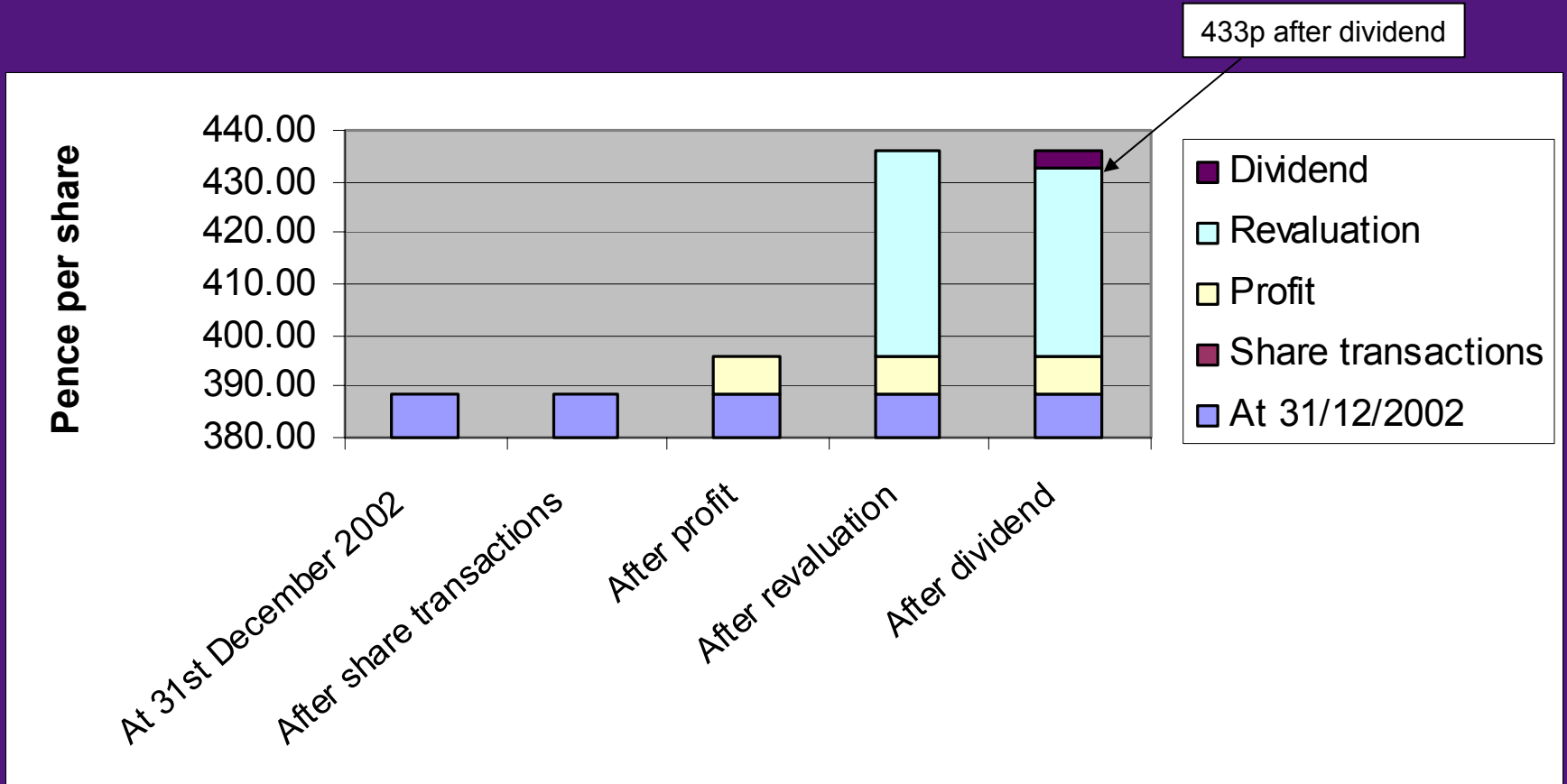


## Revaluation movements – six months to 30 June 2003

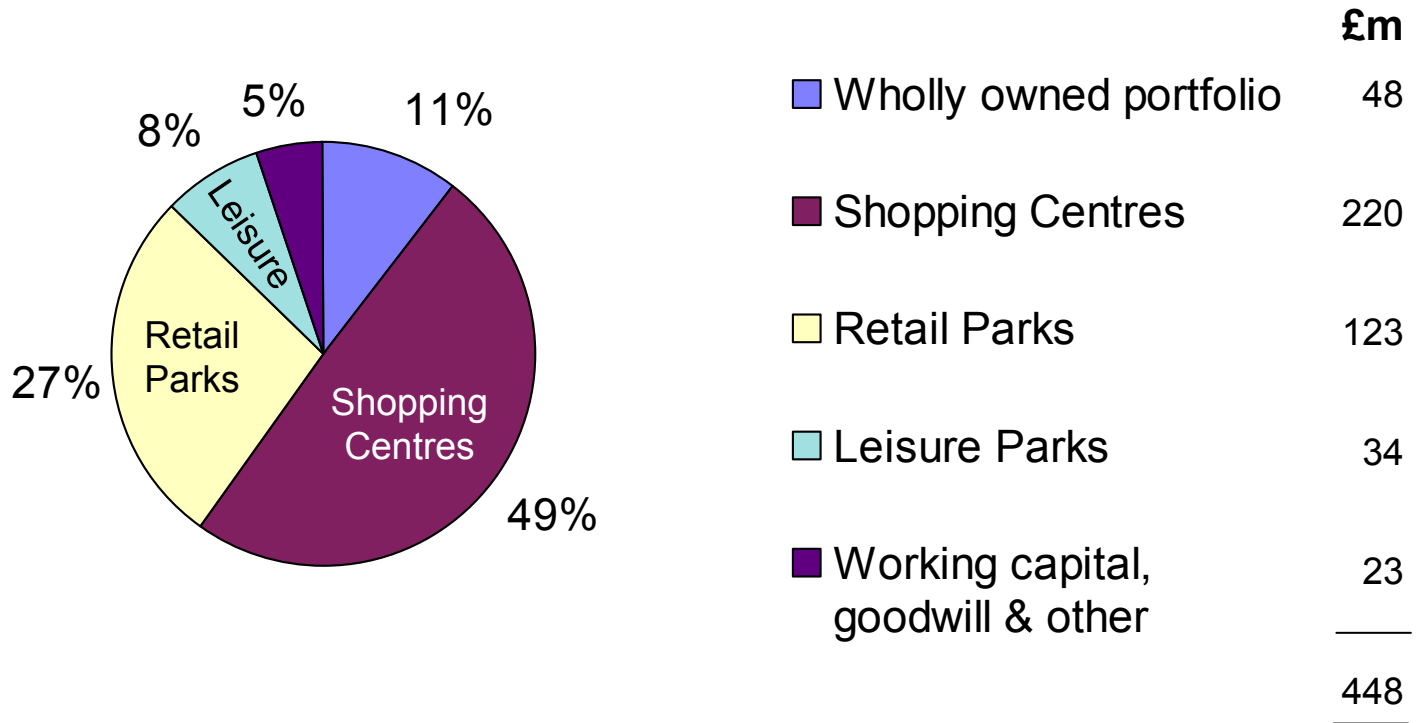
	Total £000
The Mall	15,440
The Junction	7,619
Developments	8,246
Leisure	700
Other	-849
Total	<u>31,156</u>



# Build up of NAV per share (fully diluted) since 31 December 2002



# Balance sheet: Deployment of gross assets less current liabilities £m





## Acquisition of X-Leisure fund business

	£000
Limited partnership interests	
• Fund I	6,050
• Fund IIA	4,674
• Fund IIB	3,231
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Total co-investment at valuation	13,955
Goodwill amortised over 12.5 years	17,402
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Total purchase price including costs	31,357
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Goodwill supported by:	
• EBITDA of £2.5m p.a	
• The right to deferred fees of up to £3.4m on fund 1	
• Carried interests, if fund performance exceeds 12%	





# Borrowings

	Debt £000	Average interest rate %	Gearing (d/e) %
Finance for wholly owned properties	20.3		
Finance for partnership interests	95.5		
On balance sheet (excluding CULS)	<u>115.8</u>	4.75%	<u>35%</u>
C&R share of			
• Mall	237.1		
• Junction	112.6		
• Other	119.2		
• In JVs and associates	<u>468.9</u>	5.72%	<u>142%</u>
Total including C&R shares	584.7	5.53%	177%

Loan fair value adjustment (FRS13) is £7.1m, our share net of tax





# Operating Review

## Shopping Centres

- Mall Fund
- (ABC Sauchiehall)

## Retail Parks


- Junction Fund
- Glasgow Fort
- Swansea Morfa

## Leisure

- Xscape
- X-Leisure Funds
- Great Northern



# The Mall Fund Statistics

 <b>M</b> the mall		
	<b>Pro-forma after ISIS</b>	<b>At 30 June 2003</b>
<b>Gross property asset value</b>	£1,093m	£978m
<b>No. of properties</b>	14	13
<b>No. of tenancies</b>	1,166	1,069
<b>Initial property yield</b>	7.0%	7.0%
<b>Equivalent yield</b>	7.4%	7.4%
<b>No. of investors</b>	5	4
<b>C&amp;R share</b>	36.7%	45.8%
<b>Senior debt</b>	£517m	£517m





# The Mall Fund Performance



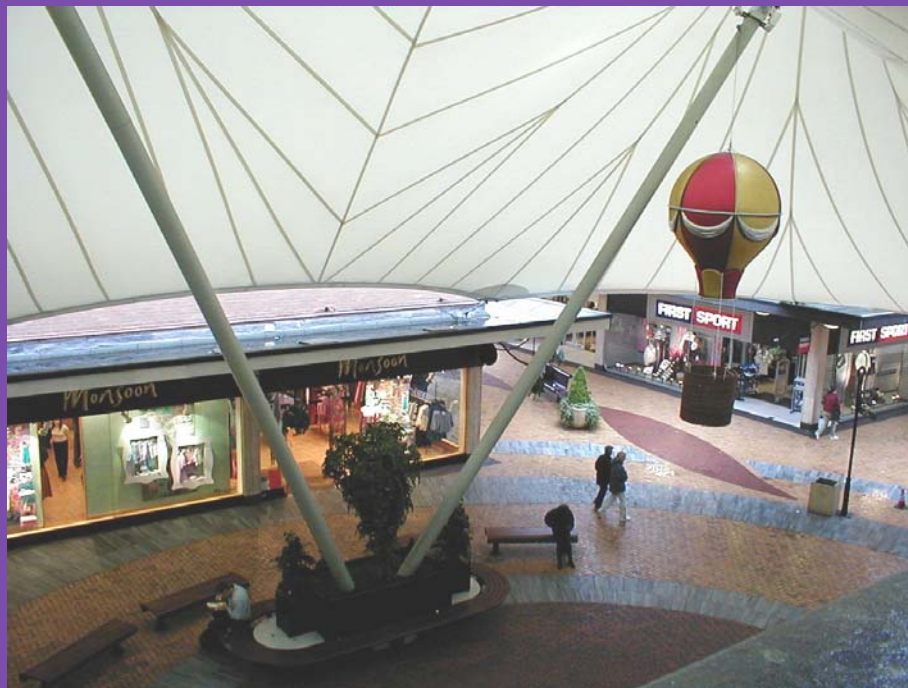
<b>Period</b>	<b>6 months</b>
<b>Property level return, ungeared</b>	<b>8.0%</b>
<b>Fund return, geared</b>	<b>12.1%</b>
<b>Underlying valuation change</b>	<b>3.7%</b>
<b>Total return, annualised since inception</b>	<b>26.1%</b>





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# Sutton Coldfield: acquired by Mall Fund in two parts, on 5 February and 28 March



Purchase price

£104m

Area (sq ft)

692,000





# Chester – acquired by Mall Fund on 6 January 2003



Purchase price

£105.75m

Area (sq ft)

225,000





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# Castle Mall, Norwich



Purchase price


£115m

Floor Area

400,000 sq ft



# The Junction Fund Statistics

	
<b>Gross property asset value</b>	<b>£749m</b>
<b>No. of core properties</b>	<b>18</b>
<b>No. of retail units</b>	<b>291</b>
<b>Initial property yield</b>	<b>5.2%</b>
<b>Equivalent yield</b>	<b>6.6%</b>
<b>No. of investors</b>	<b>4</b>
<b>C&amp;R share</b>	<b>27.7%</b>
<b>Senior debt</b>	<b>£407m</b>





# The Junction Fund Performance



<b>Period</b>	<b>6 months</b>
<b>Property level return, ungeared</b>	<b>7.4%</b>
<b>Fund return, geared</b>	<b>11.1%</b>
<b>Underlying valuation change</b>	<b>4.6%</b>
<b>Total return, annualised since inception</b>	<b>20.2%</b>



- **Four properties bought**
- **Bristol Brislington subsold at £1.4m profit**
- **Remaining properties cost £143m**
- **£7m valuation uplift**





# Chartwell Portfolio – opportunities for growth

## Bristol Imperial





# Glasgow Fort

JV with Pillar Property PLC

70 acre site

The first destination Shopping Park in the UK with direct, purpose built motorway access

Detailed planning consent for 300,000 sq ft open A1 unrestricted retail, 145,000 sq ft leisure and ancillary uses, car parking for 1,900 cars. This development adjoins a food store of 120,000 sq ft.

Retail consent to be implemented in 1st phase

21 lettings either exchanged or in solicitors hands totalling 185,000 sq ft





## X-Leisure funds

3 funds, 19 properties, circa £500m invested

Good reporting, poor asset management

Need one fund, longer life, sensible capital expenditure

X-Space, Xscape branding



# The X-Leisure Fund Statistics

## X-LEISURE

	Fund I	Fund IIA	Fund IIB
Gross property asset value	125m	231m	138m
No. of properties	7	5	7
No. of units	66	92	60
Initial property yield	7.0%	6.7%	6.8%
Equivalent yield	7.9%	7.2%	7.3%
No. of investors	6	8	6
C&R share	13.29%	5.72%	7.09%
Senior debt	£78m	£148m	£89m





# X-Leisure funds

O2 Centre



Star City



Fountain Park





## Milton Keynes

- Increased footfall, higher ERV's established
- Fixed rent increases in 2005, interest fixings expire 2006

## Castleford

- Completion this month, formal opening October 9th
- 81% pre-let
- No revaluation surplus taken yet

## Braehead

- Pre-let to Odeon Cinema
- Joint venture with Capital Shopping Centres
- Start on site 2004



# Great Northern Leisure and Retail complex

- JV with Anglian Water
- Morrison Merlin Limited, the existing owner, refinanced as follows:

	£m
Bank debt (£20m guaranteed by C&R)	50.0
Mezzanine from AWG (6.5% interest)	12.5
Equity from AWG	5.0
Equity from C&R	5.0
	<hr/>
Value of property	72.5
	<hr/>

- C&R option to buy out AWG equity over 5 year period
- Tax losses
- Working with agents, the local authority, the cinema owner and AWG to produce refreshed letting strategy





# Outlook

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- Encouraging first half performance
  - Progressive benefits of transformation
  - Focus on attractive market segments
  - Proven specialist management teams
  - Significant growth opportunity
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# Interim Results Presentation



18 September 2003





# Appendices



# Wholly owned properties

	Value £000	Description
Nantyffin Road, Swansea	12,066	Now sold
Wyrley Brook, Cannock	11,400	Retail
Industrial portfolio	6,338	Industrial
Victoria portfolio & other	5,270	Offices & shops
10 Lower Grosvenor Place	11,800	Head office
<b>Totally wholly owned</b>	<b>46,874</b>	





## Share of joint ventures and associates

	Operating profit £000	Interest £000	Indirect Interest £000	Contribution £000
Mall	14,014	-6,485	-1,696	5,833
Junction	4,233	-2,539	-605	1,089
Leisure funds	1,003	-700	-	303
Joint ventures	1,013	-1,198	-	-185
Total	<u>20,263</u>	<u>-10,922</u>	<u>-2,301</u>	<u>7,040</u>





# Asset management business

Asset management business – fee income breakdown for six months to 30/6/2003

	<b>Total £000</b>	<b>Mall £000</b>	<b>Junction £000</b>	<b>X-Leisure £000</b>	<b>Other £000</b>
Management fees	4,632	1,967	1,481	1,169	15
Service charge income	1,097	785	-	312	-
Other regular income	862	282	430	150	-
Procurement fees	539	379	160	-	-
Performance fees	-	-	-	-	-
<b>Total</b>	<b>7,130</b>	<b>3,413</b>	<b>2,071</b>	<b>1,631</b>	<b>15</b>





## Performance fees – a reminder

- Hurdle is higher of IPD + 1% and 12%
- C&R receives 15% of first 2% outperformance  
20% of next 2% outperformance  
25% of remaining outperformance
- Fee is averaged over 3 years - clawback is possible
- Leisure funds – carried interest over 12%

	Mall 2002	Junction 2002
-	-	-
Performance in 2002	22.7%	17.8%
IPD	10.7%	17.2%
Performance fee (£000)	2,781	-

