

# Preliminary Results Presentation 2004



Capital & Regional



15 March 2005

- Overview Martin Barber
- Financials William Sunnucks
- Shopping Centres Ken Ford
- Retail Parks Andy Lewis-Pratt
- Leisure PY Gerbeau

Questions chaired by Tom Chandos



- Total return on equity 39% before exceptional items (2003: 37.6%);
- £4.0 billion of property assets (31 Dec 2003: £2.9 billion);
- Adjusted NAV per share up 36% to 710p on a fully diluted basis;
- Profit before tax and exceptionals £36.2m (2003: £26.3m);
- Total return after tax and exceptionals £136m (2003: £102m)
- 56% increase in dividend 14p per share;



## Fund Level Geared Return

Mall	26.0%
Junction	35.6%
X-Leisure	18.0%*

\* 9 months only



# Total Returns

	30 Dec 2004 £m	31 Dec 2003 £m
Profit before tax and exceptionals	36.2	26.3
Exceptional items	(10.2)	-
Gains put through reserves	122.0	85.9
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	148.0	112.2
Tax charge	(12.0)	(10.6)
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Total return	136.0	101.6
Total return on equity	37.0%	37.6%
Total return before exceptionals	39.0%	37.6%





Earnings  
businesses

Assets  
business

Snozone  
(Ski slope)

CRPM  
(Property  
Management)

Fund  
Co-investment

JVs

Wholly  
owned



the mall





## Property Management Business - CRPM

	2004 £m	2003 £m
Property management fees	19.3	15.8
Fixed management expense*	(10.6)	(9.1)
Ongoing cash flow	<u>8.7</u>	<u>6.7</u>
Performance fees	31.2	13.3
Variable overhead**	(11.8)	(6.5)
Performance related cash flow	<u>19.4</u>	<u>6.8</u>
Total profit***	28.1	13.5

### Notes:

\* Fixed overhead is 77% of total based on management time allocation

\*\* Variable overhead includes 100% of CAP and 77% of LTIP, bonuses and letting commission.

\*\*\* Note 2 also includes £1.151 m for amortisation of goodwill



# Property Management Fees

	2004 £m	2003 £m
Core fee income	11.6	10.7
Service charge fees	3.2	2.4
Other regular income	3.0	1.4
Procurement fees	1.5	1.2
Total fee income	<u>19.3</u>	<u>15.7</u>





# Performance Fee Summary 2004

	Mall £m	Junction £m	X-Leisure £m
Fund level return (geared)	26.0%	35.6%	18.0%
IPD benchmark	17.1%	23.5%	-
Performance fee	£22.8m	£7.3m	£1.1m
<b>Total</b>	£31.2 m		





# Property Investment Business – Equity Invested

	2004 £m	2003 £m
<b>Fund Co-investment (NAV)</b>		
Mall	297.7	242.2
Junction	157.0	116.0
X-Leisure	22.4	14.5
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<b>Total</b>	<b>477.1</b>	<b>372.7</b>
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<b>Joint Ventures (NAV)</b>		
Xscape	31.4	19.4
Other (Incl. Gt Northern)	15.3	37.1
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<b>Total</b>	<b>46.7</b>	<b>56.5</b>
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<b>On balance sheet (Gross)</b>		
Property	91.3	59.5
Other	-2.6	-11.1
Debt	-118.0	-110.5
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<b>Net assets</b>	<b>494.5</b>	<b>367.1</b>
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	£m
Fund investments	
- Mall	53.0
- Junction	41.8
- X-Leisure	2.6
Joint ventures – mainly Xscapes	8.0
Wholly-owned – mainly Swansea	16.6
Total revaluation surplus	<u>122.0</u>





# Property Investment Business - Returns

	2004	2003
	£m	£m
Income before interest and performance fees	47.1	46.7
Cost of performance fees (our share)	-13.1	-7.3
Management expense allocation	-4.0	-3.6
Interest	-34.6	-29.6
Profit on disposals	12.8	7.7
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Profit before tax	8.2	13.9
Revaluation surplus	122.0	85.9
Tax provision	-6.7	-6.8
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Total return	123.5	93.0



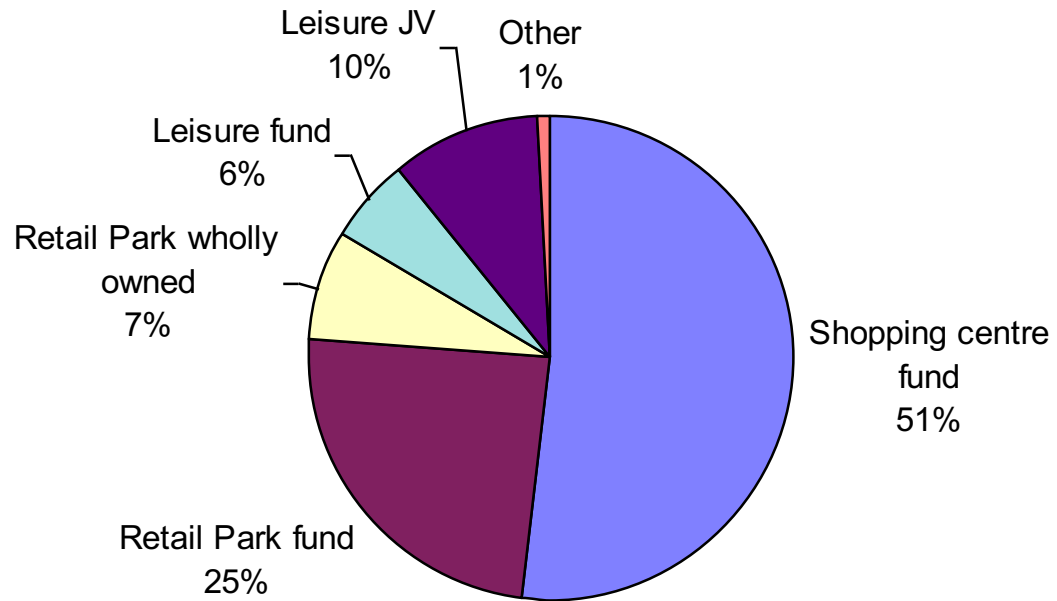


## Summarised Balance Sheet

	2004 £m	2003 £m
Wholly owned properties	91.3	59.4
Investment in Funds	477.1	372.7
Investment in Joint ventures	46.7	56.5
10 Lower Grosvenor Place	12.0	11.8
Goodwill	12.2	14.5
Working capital	(6.2)	(12.8)
Borrowings	(118.2)	(110.6)
Convertible loan stock	(20.4)	(24.4)
NAV	<u>494.5</u>	<u>367.1</u>



# C&R total property exposure - % of £1.12 billion



## Bank debt - Gearing

	Debt £m	Debt/Equity %
On balance sheet	118.2	23%
Fund debt (our share)	452.4	88%
JV debt (our share)	78.5	15%
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	649.1	126%
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### Notes:

1. Fund debt is shown net of cash
2. For gearing calculations £20.4 m of CULS is treated as equity
3. "Equity" = shareholders funds of £ 494.5 + £20.4 m CULS = £514.9



## Bank Debt – profile at 30/12/2004

	Loans £m	Rate %	% swapped	Duration months	Mark to market* £m
On balance sheet	118.2	5.51	67%	30	-0.9
Fund debt (our share)	452.4	5.83	71%	28	+0.6
JV debt (our share)	78.5	6.25	75%	30	+0.1
	<u>649.1</u>	<u>5.82</u>	<u>72%**</u>	<u>29**</u>	<u>-0.2</u>

\* net of tax

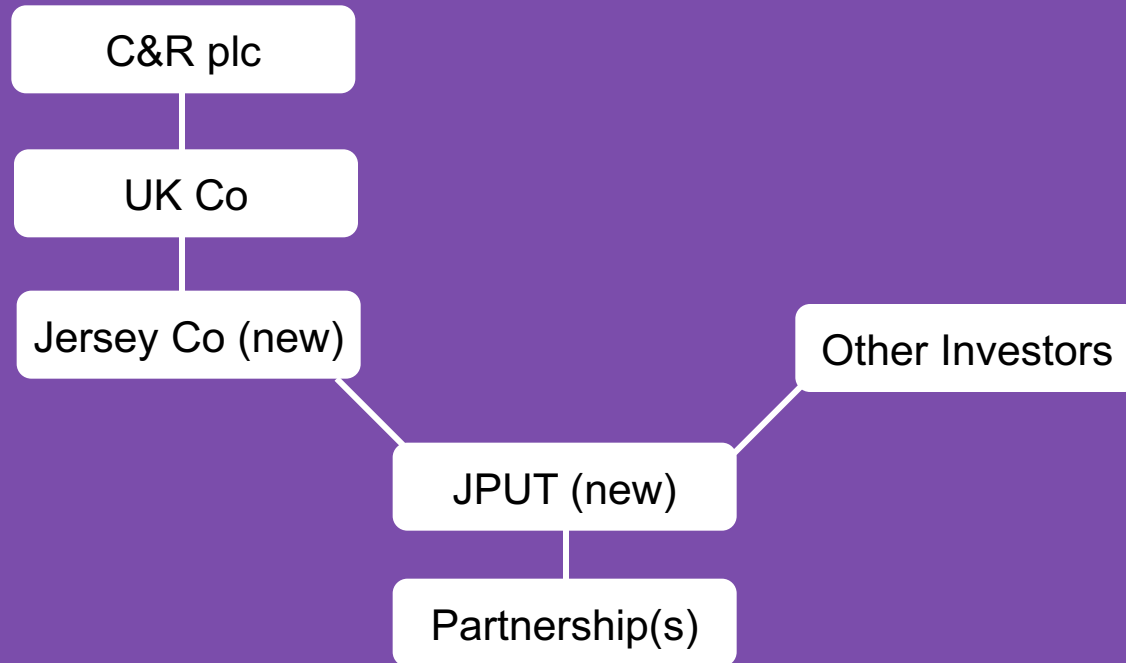
\*\* Further swaps since year end have increased % swapped to 76% and average duration to 53 months.





# Moving Offshore

New structure for an investment in the Mall, Junction, X-Leisure and Xscape partnerships



- Increased liquidity because JPUT units can be sold without incurring SDLT
- Reduction in unprovided deferred tax liability from £32m to £4.2m



# Tax and Total Returns

	2004 £m	2003 £m
Total return before tax	148.0	112.2
Tax charge in accounts	-12.0	-10.6
Decrease/(increase) in unprovided CGT	27.6	-29.6
Total provided and unprovided	15.6	-40.2



## Recurring Earnings per Share

	2004 £m
Net rental income – our share	47.1
Management fees	19.3
Snozone profit	1.4
Fixed management expense	-14.9
Interest expense	-34.5
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Recurring profit	18.4
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Number of shares	65.5
Recurring eps (after 30% tax)	19.7p
Dividend per share (full year)	14.0p



# The Mall Fund Statistics



	At 28 Feb 2005	At 31 Dec 2004	At Dec 2003
Gross property asset value	£2.249bn	£2.099bn	£1.243bn
No.of properties	22	21	15
No. of units	2,172	1,991	1,294
Initial property yield	5.67%	5.78%	6.39%
Equivalent yield	6.26%	6.28%	6.99%
No.of Investors	30	29	9
C&R share	26.89%	27.86%	34.76%
Bank debt	£1.126bn	£1.025bn	£545m

- Acquisition
  - Gloucester/Preston/Bristol  
Blackburn/Maidstone/Middlesbrough
  - £650m invested
- Organic
  - Net Income £72m (+3.25%)  
(13 Mall comparison)
  - Ancillary Revenue £2.54 m (+51.2%)  
(13 Mall comparison)
  - ERV +2.6%  
(13 Mall comparison)



## New Investors

- Aviva
- Scottish Widows
- Arlington
- CGNU
- NULLF
- Arcadia

Total new equity 2004

£191.4 m



## Outperformance - Financial

	2004	2003
Property Level	19.6%	20.1%
IPD Benchmark	17.1%	15.2%
Fund Level	26%	33.5%

Since inception

19.6% p.a. Property Level

30.6% p.a. Fund Level



## Outperformance - Operational

- “Upstream” Environmental Benchmark
  - No.1 Energy Consumption Reduction
  - No.1 Cardboard Recycling
- JLL Service Charge Oscar
  - £3.88 /sq.ft overall
  - 10% less than benchmark
  - 40% more spent on marketing
- CEL Retailer Satisfaction Survey

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Service Satisfaction	77.6%	80.1%	80.2%





- The Junction Fund
- Glasgow Fort
- Morfa Shopping Park, Swansea




# Junction Fund Highlights

- 900,000 sq.ft. Planning consents obtained
- Strong ERV growth driven by management initiatives
- Prime destination park portfolio
- Bulky goods and Open A1
- Two acquisitions
  - Glasgow, Aberdeen
- One disposal
  - Warrington



# The Junction Fund Statistics

	At 28 Feb 2005	At 30 Dec 2004	At 31 Dec 2003
Gross property asset value	£1,021m	£1,010m	£757m
No.of retail parks	17	17	16
No.of units	202	202	226
Initial property yield	3.83%	3.85% 4.4% (ex development props)	5.0%
Equivalent yield	5.55%	5.56%	6.4%
No. of investors	7	7	4
C&R share	27.3%	27.3%	28.4%
Bank debt	£465m	£465m	£370m

## Other Retail Park Activities

- Glasgow Fort, Auchinlea
  - Completed quarter 3, 2004
  - Project cost £142m.
  - Sold to Hercules.
  - 96% let by area.
  - Potential further phases.
- Morfa Shopping Park, Swansea
  - Completed October 2004.
  - Only 3 units available, 2 under offer.
  - Project cost £65m.
  - Significant further rental growth anticipated.



- X-Leisure Fund £597 m
- Xscape £223 m
- Great Northern £72 m (book cost)
- Snozone





- The leisure sector is attracting a wider audience of investors
- Leisure property investment still great value for money compared to other asset class
- Highly specialised and experienced management teams are required to succeed in specialised leisure market



## X-Leisure Fund Statistics

<b>X-LEISURE</b>	At 28 Feb 2005	At 30 Dec 2004	At 31 Dec 2003
Gross property asset value	£578m	£597m	£501m
No. of properties	15	18	19
No. of units	264	267	181
Initial property yield	6.07%	6.15%	6.5%
Equivalent yield	6.89%	6.89%	7.3%
No. of investors	10	9	9
C&R Share	11.12%	10.77%	10.77%
Bank debt	£355m	£367m	£315m



## Other Leisure Division Activities

- Xscape
  - MK Fully let, rent reviews in 05, 6.1m visits
  - Castleford 90% let, junction 32 buzzing (B&Q, hotel, factory outlet, resi.), scheme maturing
  - Braehead Construction started in June, 70% pre let, opening spring 06
- Snozone Ltd. Profits largely exceeding forecast, expansion plans, cash cow
- GreatNorthern Exchanged with LCI





	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%
Dec 2003	521p* + 33%	9.0p + 28%
Dec 2004*	710p + 36%	14.0p + 56%

\* Capital allowance deferred tax provision now added back – adds 4.6p per share



- 2005 has started well
- Yields still present an opportunity
- Our business model is working, and should help us to outperform

