Interim Report 2010

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...What we do

- C&R is a specialist property company which invests through funds and joint ventures in which we aim to hold a significant stake
- We aim to build best-of-class specialist management teams for the retail and leisure sectors in which we operate

...Business model

- We operate both asset and earnings businesses with the primary focus to increase net assets per share
- Asset businesses comprise our investments in property funds and joint ventures, and our wholly owned properties
- Earnings businesses comprise our property management teams, which manage the funds and German joint venture, and SNO!zone

"The Group has taken significant steps to further strengthen its financial position in the first half of the year. Disposals at both Group and fund level have helped to degear the balance sheet whilst the recently completed restructuring of The Mall's bond financing provides a solid foundation for the management platform.

Management can now focus their energies on growth. I look forward to the Group playing to its strengths as an entrepreneurial specialist property company with a track record in exploiting asset management opportunities in retail and other related sectors of the property market."

John Clare, Chairman

Highlights

- Profit before tax of £18 million, compared to loss of £131 million in the first half of 2009
- EPRA net assets per share of 52p, up 11% from December 2009
- UK fund property valuations up 5.3% for the year to date; unit prices up 18%
- £24 million of cash on balance sheet, leaving net debt of £48 million
- Sale of ten properties for £378 million (Group share: £80 million) across the Group, funds and joint ventures in the first half of 2010
- Restructuring of The Mall, with extension of bond maturity to 2015 and fund life to 2017
- Conditional exchange of contracts for the sale of Falkirk, Gloucester, Romford and Southampton shopping centres from The Mall, and Fiveways, Birmingham from X-Leisure
- Opening of 200,000 sq ft extension at The Mall, Blackburn; key units handed over to tenants for fit out at The Mall, Luton
- Refinancing of Xscape Braehead, FIX UK and two German facilities
- Investment in German asset management platform, Garigal Asset Management GmbH, since the reporting date
- Approaches for Great Northern Warehouse under consideration

Chief Executive's statement

Financial highlights

The key performance indicators the Group uses to monitor performance are summarised in the table below and explained in more detail in the financial review on pages 4 to 9.

	June 2010 (six months)	June 2009 (six months)[1]	December 2009 (12 months)
Scale of business			
Property under management	**£2.9bn**	£3.2bn	£3.1bn
Investment returns			
Triple net diluted net assets per share	**£0.42**	£0.35	£0.37
EPRA net assets per share	**£0.52**	£0.61	£0.47
Profitability			
Recurring pre-tax profit	**£8.9m**	£10.3m	£17.5m
Profit/(loss) before tax	**£18m**	£(131)m	£(113)m
Net debt[2]			
Group net debt	**£48m**	£115m	£63m
Net debt to equity ratio[3]	**33%**	226%	48%
See-through net debt	**£503m**	£656m	£566m

1 June 2009 figures have been restated to show the impact of the Open Offer element of the Capital Raising but exclude the impact of the Firm Placing element.
2 Borrowings net of cash and cash equivalents, excluding unamortised issue costs.
3 Group net debt divided by shareholders' equity.

Operating review – tenant markets

We have seen increasing demand for quality space, notably in the second quarter of the year, though retail tenants in particular continue to face a challenging trading environment. By contrast, the leisure occupier market remains strong, with good performance from cinemas and resilient trading in restaurants.

Occupancy levels

	The Mall	The Junction	X-Leisure	UK	Germany
December 2009	94.5%	93.3%	94.5%	94.3%	98.1%
June 2010	**93.9%**	**94.6%**	**94.2%**	**94.1%**	**98.5%**

Occupancy fell slightly on a like-for-like basis across the three funds over the six-month period, as a significant improvement in The Junction was not sufficient to offset the largely seasonal fall in The Mall and a small reduction in X-Leisure. The German portfolio has maintained its historically high occupancy rates.

Administrations

	The Mall		The Junction		X-Leisure		Total	
	Units	Rent roll £m	Units	Rent roll £m	Units	Rent roll £m	Units	Rent roll £m
Q1 2010	32	1.5	–	–	4	0.2	36	1.7
Q2 2010	10	0.4	2	0.2	4	0.4	16	1.0
Total	**42**	**1.9**	**2**	**0.2**	**8**	**0.6**	**52**	**2.7**
	(1.7% of rent roll)		(0.6% of rent roll)		(1.5% of rent roll)		(1.5% of rent roll)	

The level of UK administrations in the first half of the year represented a return to the long-term average rate, as the number of insolvencies was significantly lower than the first half of 2009 when 114 units entered administration across the three funds. This reflected the improved trading environment across the two retail funds in particular while X-Leisure, which had seen a lower level of administrations in the first half of 2009, had a similar number in the first half of 2010.

Seven of these 52 units are still trading and 11 have been relet at the date of this report. Since 30 June 2010 there have been only two further administrations across the funds, with passing rent of £0.1 million.

There was one small administration in the German portfolio over the course of the period, representing only 0.03% of the rent roll.

Passing rent (like for like)

	The Mall	The Junction	X-Leisure	UK	Germany
December 2009	112.3	33.4	42.7	188.4	44.6
June 2010	**109.5**	**33.8**	**42.8**	**186.1**	**44.6**

Passing rent, which excludes income relating to tenant incentives, has either improved or remained stable in The Junction, X-Leisure and Germany. Whilst headline passing rent in The Mall has declined in the period, the position stabilised in the second quarter as the impact of seasonal terminations and insolvencies reduced compared to the first three months of the year. Adjusting for rent-free periods, passing rent for The Mall was broadly flat between Q1 and Q2 2010.

Rent collection rates remain very strong, with 97.1% (December 2009: 96.8%) of the rent roll across the three UK funds (excluding administrations) collected within 30 days.

Monthly rent payments

Requests to move from quarterly to monthly rent payments are a useful indicator of tenant distress, so a slight fall in the overall proportion of tenants paying this way, from 8.6% at 30 December 2009 to 7.9% at 30 June 2010, is a positive sign. The proportion of tenants with monthly payments in the terms of the lease has increased over the same period, from 12.7% to 13.2%.

Temporary lettings

There were 185 (December 2009: 202) temporary lettings at the end of the period with passing rent of £3.7 million (December 2009: £5.3 million), of which the majority were in The Mall.

New lettings and rent reviews

	The Mall	The Junction	X-Leisure	Total
New lettings				
Number of units	51	4	8	**63**
Passing rent (£m)	2.3	1.1	0.3	**3.7**
Comparison to ERV	(9.1)%	(10.7)%	(3.6)%	**(9.1)%**
Lease renewals				
Number of units	11	–	–	**11**
Passing rent (£m)	0.7	–	–	**0.7**
Comparison to ERV	(10.2)%	–	–	**(10.2)%**
Rent reviews				
Number of units	85	5	26	**116**
Passing rent (£m)	11.5	2.0	4.3	**17.8**
Comparison to ERV	6.4%	(4.2)%	11.3%	**6.4%**

The Group continued to see considerable letting activity, though the continuing weakness of the market and competition for new tenants meant that new lettings and lease renewals were generally below ERV.

Footfall

The Mall has performed well against the national footfall index, with a rise in shopper numbers of 0.5% over the six-month period compared to a fall of 0.1% in the index. This was in contrast to the 2009 full year when there was a fall of 1.7% compared to a fall of only 0.8% in the index. The best performer, Wood Green, saw a rise of 10.3% which reflected the impact of significant new lettings to New Look and Primark.

Operating review – property investment markets

The Junction and, to a slightly lesser extent, The Mall saw significant inward yield shift in the final quarter of 2009. This momentum continued in the first six months of 2010 such that both funds have seen over 100 basis points of movement since the bottom of the market last year. X-Leisure's recovery was less pronounced in 2009 but it has seen the largest yield shift of the three UK funds in the year to date.

In Germany, yields are broadly unchanged in 2010, which is a further sign that the market has stabilised from what has been a much less marked decline than the UK.

Yield shift (like for like)

	30 June 2010	30 December 2009	Yield shift in period in/(out)
Initial yields			
The Mall	**7.00%**	7.69%	0.69%
The Junction	**5.98%**	6.39%	0.41%
X-Leisure	**7.07%**	7.90%	0.83%
UK weighted average	**6.77%**	7.44%	0.67%
German joint venture	**6.82%**	6.79%	(0.03)%
Nominal equivalent yields*			
The Mall	**8.51%**	9.21%	0.70%
The Junction	**7.05%**	7.61%	0.56%
X-Leisure	**8.05%**	9.00%	0.95%
UK weighted average	**8.10%**	8.82%	0.72%

* Nominal equivalent yields in Germany are equal to initial yields.

As a result of these yield movements, the UK funds have seen their first positive returns for a number of years as shown in the following table:

Fund and German joint venture performance

	Full year 2006	Full year 2007	Full year 2008	Full year 2009	Six months 2010
The Mall					
Property level returns	17.6%	(3.3)%	(33.2)%	(12.5)%	**7.1%**
Geared returns	26.3%	(13.2)%	(65.4)%	(51.4)%	**15.6%**
IPD shopping centre index	12.7%	(4.3)%	(22.0)%	(7.1)%	**9.6%**
The Junction					
Property level returns	15.0%	(16.8)%	(26.1)%	(5.3)%	**8.2%**
Geared returns	18.3%	(34.0)%	(57.1)%	(32.2)%	**12.6%**
IPD retail parks index	14.7%	(9.6)%	(25.6)%	11.1%	**6.0%**
X-Leisure					
Property level returns	19.7%	2.1%	(21.9)%	(19.0)%	**15.0%**
Geared returns	30.4%	(3.0)%	(48.2)%	(41.7)%	**37.7%**
UK weighted average*					
Property level returns	16.9%	(6.1)%	(28.2)%	(12.2)%	**9.0%**
Geared returns	23.9%	(17.3)%	(58.5)%	(45.6)%	**19.3%**
German joint venture					
Property level returns	15.2%	7.5%	(5.2)%	1.0%	**0.4%**
Geared returns	34.2%	16.2%	(32.4)%	(9.8)%	**(0.3)%**

* Based on Group exposure to the three funds.

On a geared basis, The Mall has outperformed its benchmark though on a property level Q2 overall outperformance was not sufficient to offset lower capital returns in Q1. The Junction has outperformed its benchmark on both property and geared returns while X-Leisure, which does not have a formal benchmark, was nevertheless the highest returning fund in the IPD UK Pooled Property Fund Indices in both quarters of the year to date. The positive property level return on the German portfolio arose because the income return has offset the negative capital returns so far this year.

Chief Executive's statement continued

Financial review

As discussed in more detail below, our key performance indicators continue to highlight the improvement in the Group's financial position. The renegotiation of The Mall's bond funding in particular represents another significant milestone in ensuring the Group's long-term financial stability.

Key performance indicators – property under management
Property under management fell slightly in the first half of 2010, reflecting the recovery in valuations and a number of disposals.

- The Mall saw a 3.0% increase in valuations in the first half of 2010 and sold shopping centres at Aberdeen in February 2010 for £47.4 million (NIY 7.9%), at Preston in March 2010 for £87.0 million (NIY 7.6%) and at Ilford in June 2010 for £70.6 million (NIY 7.8%). Ilford remains a property under management as the Group continues to manage it on a short-term contract for the new owners and aims to extend this to a longer-term arrangement.

  Contracts have also been conditionally exchanged as at 30 June 2010 for the sale of four further centres at Falkirk, Gloucester, Romford and Southampton for £136.0 million, which was above their pre-exchange valuation.

- The Junction saw a 4.2% increase in valuations in the first half of 2010. The fund sold its Aylesbury retail park in April 2010 for £60.4 million (NIY 6.0%).

- X-Leisure saw a 12.1% increase in valuations in the first half of 2010. The fund sold its Croydon property in March 2010 for £32.5 million (NIY 7.6%).

  Since 30 June 2010, contracts have been conditionally exchanged for the sale of the fund's Fiveways, Birmingham property for £27.0 million (NIY 9.0%), at the same level as its half year valuation.

- The German joint venture saw a 0.5% decrease in valuations in local currency in the first half of 2010 and sold two properties in February and May 2010 for £5.7 million. The weakening of the euro in the year to date has further reduced the value of the total portfolio (and hence property under management) in sterling terms by approximately £50 million, but this was largely hedged by euro-denominated borrowings and, at Group level, by a forward foreign exchange contract.

- The MEN Arena joint venture was sold in June 2010 reflecting a property price of £62.2 million (NIY 7.15%).

- The valuations of the Group's wholly owned Great Northern Warehouse and Hemel Hempstead properties are largely unchanged since year end. The Group sold its wholly owned Beeston Place property in March 2010 for £2.1 million.

- The Group sold its wholly owned 10 Lower Grosvenor Place property in March 2010 for £10.3 million but since this was owner occupied it was not included in property under management.

- FIX UK is also excluded as it is managed by a third party, though it has shown a promising return following the Group's additional £1.1 million investment earlier in the year as part of the restructuring of the debt on the portfolio. The holding is therefore no longer impaired to £nil on the Group's balance sheet.

Key performance indicators – investment returns
The main measure of investment returns is the per share change in the net assets of the Group as shown in the balance sheet. To provide a greater understanding of the business, the Group presents its balance sheet in three ways:

- the enterprise balance sheet, which shows everything the Group manages;
- the "see-through" balance sheet, which shows the Group's economic exposure to the different property portfolios; and
- the statutory balance sheet, which follows the accounting and statutory rules.

Three balance sheets at 30 June 2010

	Enterprise £m	See-through £m	Statutory £m
Fund properties			
The Mall	1,244	208	41
The Junction	531	71	28
X-Leisure	540	64	24
FIX UK	138	28	1
Joint venture properties			
Germany	475	237	27
Other joint ventures	44	22	(8)
Wholly owned properties			
Great Northern, Hemel Hempstead and others	81	81	81
Total property	3,053	711	194
Working capital etc	194	10	24
Gross debt*	(2,377)	(575)	(72)
Net assets	**870**	**146**	**146**
C&R shareholders	146	146	146
Fund and other joint venture investors	724		
Total equity	**870**	**146**	**146**

* Including FIX UK on an enterprise and see-through basis.

Triple net fully diluted net assets per share are £0.42, up from £0.37 at December 2009, while EPRA net assets per share have risen from £0.47 to £0.52 over the same period, an increase of 11%. As noted below under the commentary on profitability, the major cause of this was the positive shift in valuation yields which led to gains on revaluation and on disposal of investment properties, though the benefit was partially offset by realised and unrealised losses on interest rate swaps used to hedge the Group's borrowings.

Foreign exchange hedging
The Group uses forward foreign exchange contracts to hedge against changes in exchange rates in relation to its investment in the German joint venture. At the reporting date, this was achieved through a contract for €47 million (December 2009: €47 million), at which level the Group's investment was 93% (December 2009: 89%) hedged.

During the period, the Group took advantage of the weakening of the euro against sterling to close out its existing €47 million contract at a small profit and extended the hedge for a further year to 30 April 2011 at the same amount. The strengthening of sterling since then meant that the value of the contract at 30 June 2010 was an asset of £2.6 million (December 2009: liability of £1.4 million).

Key performance indicators – profitability
Recurring pre-tax profit
The Group's recurring pre-tax profit is derived from its two principal segments:

- **Asset businesses:** comprising its share of net rent less net interest arising from property interests held in associates, joint ventures and wholly owned entities in both the UK and Germany.

- **Earnings businesses:** comprising fees less fixed overheads earned by CRPM for asset/property management on behalf of The Mall, The Junction and certain joint ventures and wholly owned properties, and by the X-Leisure Limited joint venture for non-regulated fund management and asset/property management on behalf of the X-Leisure fund. Earnings businesses also include the operating profit from SNO!zone.

As shown in note 2a to the condensed financial statements, the breakdown of recurring pre-tax profit by segment (consistent with the revised accounting treatment required by the introduction of IFRS 8 "Operating Segments") is as follows:

	June 2010 (six months) £m	June 2009 (six months) £m	December 2009 (12 months) £m
Asset businesses			
UK property investment*	**4.5**	6.2	11.1
German property investment	**3.5**	3.4	6.1
Earnings businesses			
Property management (CRPM segment)	**2.6**	2.2	5.3
SNO!zone	**0.3**	1.0	0.9
Non-segment item			
Central costs	**(2.0)**	(2.5)	(5.9)
Recurring pre-tax profit	**8.9**	**10.3**	**17.5**

* Comprising profit from The Mall. The Junction, X-Leisure and Other segments in note 2a.

- **Property investment:** the recurring profit from the three UK funds has fallen, largely reflecting the disposals that have taken place since the comparative 2009 period, offset by a small increase in recurring profit from a lower interest charge after the expiry of the swap on the wholly owned Hemel Hempstead property.

  The recurring profit from Germany in sterling terms is broadly static, despite an increase in underlying rental income in euro terms from index-linked leases. Since the income from the German portfolio is not currently hedged, the benefit to rental income was offset by the effect of the strengthening of sterling in the period.

- **Property management:** fee income from property management fell from £8.9 million in the first half of 2009 and £8.2 million in the second half to £7.3 million in the first half of 2010. This reflected property disposals by The Mall, the introduction of a fixed fee on The Junction in May 2009 and the sharing of X-Leisure fees in the X-Leisure Limited joint venture.

The establishment of this joint venture enabled the sharing of the expenses of the X-Leisure division with the joint venture partner which contributed to a fall in costs from £6.4 million to £4.6 million, though the decrease also arose from the Group's continuing cost reduction programme. These cost savings meant that the profit from property management was higher than the first half of 2009 despite the fall in income. The programme also helped reduce central costs shown as a non-segment item which, assisted by the fall in interest payable resulting from the repayment of the Group's central borrowing facility, fell from £2.5 million to £2.0 million.

Alongside the refinancing of The Mall bonds, the Group has agreed with the GP board an amendment to the method of the calculation of the base asset and property management fees earned from The Mall by CRPM, though it remains subject to trustee consent. The existing basis is a percentage of property under management, but with effect from 21 July 2010 CRPM will receive a fixed fee of £4.5 million per annum, 25% of which is subject to reduction if the valuation falls below £850 million. This would reduce that element of the fee on a sliding scale from 100% to 75% on a pro-rata basis between £850 million and £600 million. In the event that valuations fall below this level, a new fee arrangement will be substituted by agreement or negotiation. The resulting fee will be broadly equivalent to the amount that would have been earned on the portfolio following the sale of the four shopping centres mentioned above.

The revised basis is consistent with the trend in the market to introduce fixed fees to cover the direct costs incurred by the managers. It is also expected to provide a greater alignment of interests between the fund and its managers. The Group will continue to earn service charge fees and other ancillary income on the existing basis.

Since the reporting date, the Group has acquired a 30% share in Garigal Asset Management GmbH ("GAM"), a German asset and property manager. GAM currently manages a portfolio of German properties and will take over responsibility for the asset and property management of the Group's German joint venture. This work is currently undertaken by REDOS and Weigelt, two local German managers, with CRPM acting as the strategic asset manager. We believe that carrying out the asset and property management through a single German-based entity will provide more effective management of the portfolio, increasing the range of opportunities to monetise the Group's stake. GAM also provides a platform for extending these services to third parties.

No direct consideration is being paid for the shares in GAM but the transaction is expected to generate a small but positive impact on net assets through the recognition of goodwill and intangible assets. While the arrangements are expected to enhance recurring pre-tax profit in the medium term, the Group does not expect to see any significant change until after the middle of 2011 owing to the costs of scaling up the GAM business and the transitional arrangements with the current managers.

GAM will be able to earn a performance fee from the German joint venture on any amount realised on an exit event in excess of an internal rate of return of 12%, subject to a maximum of €15 million.

Chief Executive's statement continued

- **SNO!zone:** the half-yearly profit from SNO!zone fell from £1.0 million in 2009 to £0.3 million. A large part of this was due a loss of income across the three sites caused by the one-off impact of the adverse UK weather on visitor numbers during a critical part of the key winter season. Initiatives to increase income and reduce costs for the balance of the year are expected to recoup some of this lost profit.

Performance fees

The basis for calculating The Mall's performance fees has also been agreed with the GP board (though still subject to trustee consent) alongside the adjusted management fees discussed above. They will no longer be based on a rolling three-year period but instead will only be payable at the end of the life of the fund or on an exit event, which is defined as a listing, sale of all the interests in the fund or the making of a cash offer which is accepted by a majority of the investors in the fund. Payment will be based on property level outperformance relative to the IPD Shopping Centre Index (taking the 30 June 2010 valuation as the start point) of more than 50 basis points provided that the fund level return is greater than zero. CRPM will earn fees as follows:

- between 50 basis points and 150 basis points: 10% of the outperformance proceeds;
- between 150 basis points and 300 basis points of outperformance: 15% of the outperformance proceeds; and
- over 300 basis points of outperformance: no additional fee to ensure excessive risks are not taken.

The provisions in the management agreements relating to removal for underperformance, which currently apply with effect from 31 December 2012, have also been amended such that the GP board will only have the right to remove CRPM as the asset and property manager in the event of underperformance of at least 100 basis points below the IPD Shopping Centre Index over the period ending 31 December 2014.

No performance fees have been recognised in 2010 on any of the funds.

Profit/(loss) before tax

Following the Group's return to profit in the second half of 2009, the pre-tax profit for the first half of 2010 was £17.5 million, compared to a loss of £130.8 million for the first half of 2009 and a profit of £17.4 million for the second half of 2009.

	June 2010 (six months) £m	June 2009 (six months) £m	December 2009 (12 months) £m
Recurring pre-tax profit	**8.9**	10.3	17.5
Revaluation of investment and trading properties	**14.1**	(133.2)	(110.5)
Profit/(loss) on disposals	**0.9**	(2.8)	(9.4)
Deemed disposals	**0.1**	(2.9)	(7.2)
Revaluation of financial instruments	**(6.6)**	0.8	0.3
Other non-recurring items	**0.1**	(3.0)	(4.1)
Profit/(loss) before tax	**17.5**	(130.8)	(113.4)

As well as the recurring pre-tax profit discussed above, the main factors behind this profit in the period were:

- revaluation gains reflecting the recovery in valuations in the three UK funds, most notably in X-Leisure, and the resulting profit on disposals of assets from The Mall and The Junction in particular. This was partly offset by a small revaluation loss and loss on disposal in the German portfolio; and
- losses on the interest rate swaps hedging the Group's property investments. Although several swaps have been terminated or expired in the year, the liabilities under the remaining contracts have increased with market expectations that LIBOR will remain at its current low level for a longer period.

The other non-recurring items include impairments, one-off expenses and credits, tax suffered within the joint ventures and the costs of the Group's various management incentive schemes. These items are split out in more detail in note 2a to the condensed financial statements.

Tax

During the first half of 2010, a current tax charge of £0.7 million (June 2009: £3.2 million) has arisen, reflecting profits which could not be covered by brought forward losses. There is no deferred tax charge in the first half of the year (June 2009: £0.7 million) as the liability of £1.2 million (December 2009: £1.2 million) has remained static overall.

The current tax liability of £8.5 million (December 2009: £8.1 million) and non-current liability of £10.0 million (December 2009: £10.0 million) largely reflect the outstanding amount on the settlement concluded with the tax authorities earlier in the year in relation to the tax structuring of certain property disposals by the Group in 2004 and 2005. This liability is subject to a deferred payment plan over the next three years.

Key performance indicators – net debt

During the period, Group debt continued to fall as borrowings were repaid with the proceeds of property disposals. A summary of the movements in Group and off balance sheet debt in the year so far is as follows:

	Group debt £m	Off balance sheet debt £m	**See through debt £m**
As at 30 December 2009[1]	80.4	579.8	**660.2**
Property disposals	(7.4)	(54.2)	**(61.6)**
FIX UK equity contribution	–	(1.1)	**(1.1)**
Other net repayments	(1.1)	(1.6)	**(2.7)**
Other movements[2]	–	(20.2)	**(20.2)**
As at 30 June 2010	71.9	502.7	**574.6**

1 Including FIX UK as the Group's investment is no longer impaired to £nil.
2 Primarily foreign exchange movements in the Group's German joint venture.

The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 June 2010.

Group debt

During 2010, Group debt has fallen with the repayment of the loan on 10 Lower Grosvenor Place following the sale of the property in March 2010. Surplus cash generated by the Hemel Hempstead and Great Northern properties is also being used to pay down the loans on these properties each quarter via a cash sweep.

The breakdown of Group debt and net debt (which reflects the benefit of cash held) at the end of the period was as follows:

	Debt at 30 June 2010[1] £m	Average interest rate[2] %	Fixed %	Duration of fixing (years)	Duration to loan expiry (years)
Core revolving credit facility	–	n/a	–	–	3.2
Great Northern	**64.3**	6.20	94	3.3	3.3
Hemel Hempstead	**7.6**	3.43	–	–	2.3
Group debt	**71.9**	5.91	84	3.3	3.2
Cash and cash equivalents	**(24.1)**				
Group net debt	**47.8**				

1 Excluding unamortised issue costs.
2 In the case of variable rate loans, based on LIBOR as at 30 June 2010 plus the appropriate margin.

- **The core revolving credit facility** of £58 million remained undrawn at 30 June 2010.
- **The Great Northern facility** is now £64.3 million drawn (December 2009: £65.2 million) following the repayment of £0.9 million during the year via the loan's cash sweep mechanism.
- **The Hemel Hempstead facility** is now £7.6 million drawn (December 2009: £7.8 million) following the repayment of £0.2 million during the year via the loan's cash sweep mechanism. An additional £0.5 million was repaid in July 2010. The loan continues to bear interest at variable rates.
- **10 Lower Grosvenor Place** was sold in March 2010 and the associated £7.4 million loan was fully repaid with the proceeds.
- **Cash** of £24.1 million was held at 30 June 2010 (December 2009: £17.5 million), of which £2.6 million (December 2009: £1.9 million) is held in restricted accounts secured on debt facilities.

The effect of these changes in net debt was a resultant fall in the net debt to equity ratio from 48% at the year end to 33% at 30 June 2010.

Off balance sheet debt

The breakdown of off balance sheet debt and net debt at the end of the period was as follows:

	Debt at 30 June 2010[1] £m	Net debt at 30 June 2010 £m	Average interest rate %	Fixed %	Duration of fixing (years)	Duration to loan expiry (years)
The Mall (16.7% share)	**180.1**	**152.2**	5.01	100%	1.8[2]	1.8[2]
The Junction (13.3% share)	**46.0**	**39.7**	6.78	99%	3.8	3.8
X-Leisure (11.9% share)	**38.4**	**35.0**	6.49	100%	3.6	3.6
FIX UK (20% share)	**26.0**	**25.4**	7.42	100%	1.5	2.7
German joint venture (48.8% share)	**189.4**	**180.8**	4.83	100%	2.6	3.3
Braehead (50% share)	**22.8**	**21.9**	6.23	88%	1.3	4.2
	502.7	**455.0**	5.40	100%	2.4	2.8

1 Excluding unamortised issue costs.
2 Extended after 30 June 2010 as described below.

- **The Mall** continues to be funded entirely by bond financing which has been reduced through asset sales totalling £205 million so far in 2010. As a result, the amount outstanding under the bonds has fallen from £1,246 million at year end to £1,077 million at 30 June 2010, and a further repayment of £70 million took place in July from the proceeds of the sale of Ilford.

  On 21 July 2010, the fund completed a restructuring of its borrowing arrangements via a consent solicitation process in which bondholders agreed to a three-year extension of the maturity of the Secured Floating Rate Notes from April 2014 to April 2017. The Intercompany Loan from the funding entity to The Mall Limited Partnership, which represents the effective maturity of the borrowing from the fund's perspective, was also extended from April 2012 to April 2015. The key elements of the restructuring were:

  - an increase in the margin payable on the Notes from 0.18% to 0.68% with effect from April 2011. As a result of amendments to the fund's hedging instruments, the interest rate payable on the bonds over the period to 2015 will not exceed 5.4%;
  - £155 million of the fund's existing cash reserves to be allocated as follows:
    - £50 million used to repay existing debt, which took place in July 2010;
    - £85 million set aside for leasing incentives, capital expenditure and working capital requirements; and
    - £20 million to cover the costs of the transaction, including swap breakage costs and consent solicitation fees.

Chief Executive's statement continued

- mandatory amortisation of the Intercompany Loan to £800 million by December 2012 and £600 million by December 2014. Following the £50 million repayment mentioned above and an anticipated repayment of £126 million from the proceeds of the sale of four further shopping centres, debt is expected to fall to £831 million which takes the fund close to its initial target well in advance of the due date;

- the introduction of an annual LTV covenant test at 83% from December 2011, reducing in stages to 65% in December 2014;

- a suspension of the current release price mechanism until the LTV is below 60% and debt less than £600 million, which will allow the sale of properties where the proceeds would be below the historically determined release price;

- the restriction of distributions until the LTV is below 60% and debt less than £600 million.

Prior to the restructuring there was no effective LTV restriction on the bonds, though the fund was unable to make any additional borrowing until its LTV fell back below 60%. Under the post-restructuring basis of calculation, based on the level of debt at the completion date of the transaction, the LTV is 81.9%, and after the expected repayment arising from the sale of the four shopping centres it will fall to 79.9%.

There is also an interest cover covenant of 130% on the bonds. For the year to 30 June 2010, actual interest cover was 169% (June 2009: 183%).

- **The Junction** repaid £34.4 million of its bank debt with the proceeds of the sale of Aylesbury and as a result the LTV of the fund at 30 June 2010 was 62.0% (December 2009: 64.9%), though this excludes the benefit of £47.3 million (December 2009: £28.4 million) of cash held in the fund that has not been used to pay off the loan. At this LTV level, the fund is now able to make distributions.

  There is also an interest cover covenant of 130% on the facility until September 2012, after which it increases to 135%. For the year to 30 June 2010, actual interest cover was 160% (June 2009: 152%).

- **X-Leisure** repaid £30.0 million of its central syndicated facility with the proceeds of the sale of Croydon and as a result the LTV for the fund at 30 June 2010 was 59.0% (December 2009: 68.3%). At this LTV level, the fund is now able to make distributions and has already paid £0.3 million to the Group in the year to date.

  There is also an interest cover covenant of 130% until March 2012, after which it increases in tiers to 150% as at April 2013. For the year to 30 June 2010, actual interest cover was 163% (June 2009: 171%).

- **FIX UK** is now included in off balance sheet debt, having been excluded in 2009 while the Group's investment was impaired to £nil. The fund was at risk of breaching its LTV covenant early in the year but in January 2010 agreed a refinancing package with its banks that included an 18 month LTV waiver until September 2011. The Group contributed £1.1 million as its share of new equity in connection with this refinancing. The equity raised, together with the £1.8 million proceeds of a property sale, allowed a debt repayment of £7.8 million.

- **The German portfolio** continues to be financed by euro-denominated loan facilities with six banks totalling €474.9 million (December 2009: €482.1 million). At the applicable exchange rates this was equivalent to £388.2 million (December 2009: £435.8 million).

  During the period, two of these loans have been refinanced. The first was a €46.5 million facility with Bank of Scotland which has been extended from June 2010 to December 2013 at a lower principal amount of €40 million, as the proceeds of two disposals were used to pay off the remainder of the debt. The second was a €65 million facility with Eurohypo comprising two loans which were also extended from June 2010 to December 2013. The joint venture's main focus is now on the refinancing of a €166 million facility which is due to expire in July 2011.

  In addition to the sales mentioned above, the strengthening of sterling against the euro in the first six months of 2010 has meant that the Group's share of German borrowing has fallen from £212.6 million at year end to £189.4 million at the reporting date. The Group's €5 million working capital loan facility to the German joint venture remained undrawn at 30 June 2010.

  All LTV and ICR covenants on the German debt were met at 30 June 2010. The LTV covenant on one facility remains at risk but can be remedied using cash that is either currently held or can be generated in future by the relevant joint venture company.

- **Braehead** was financed by a £49 million loan which breached its LTV covenant in January 2010. In April 2010, the Group and its joint venture partner remedied the breach by injecting funds which, together with cash already held in the partnership, reduced the debt to £45.6 million. The terms of the loan were also renegotiated to introduce an LTV holiday until 31 March 2012, after which the LTV covenant will be set at 90% until 31 March 2013 and 80% thereafter, and an increase in the margin from 1% to 2%. This increased margin is rolled up for payment in March 2012. The ICR test remains at 120% and was met at 30 June 2010.

- **MEN Arena** was sold in June 2010 and the associated bank loan for £47.8 million (December 2009: £47.8 million) is therefore no longer included in off balance sheet debt.

Interest rate hedging

The majority of loans, both at Group level and in the funds and joint ventures, continue to be covered by interest rate swaps. At 30 June 2010, the see-through valuation of the Group's swaps was a liability of £33.8 million (December 2009: £31.0 million). The recognition of this liability is required by accounting standards but it should be noted that it will not be crystallised unless the underlying swaps are closed out. So far this year The Mall, The Junction, X-Leisure and MEN Arena have terminated swaps at a total cost of £17.2 million, of which the Group's share was £2.8 million.

Going concern
As stated in note 1 to the condensed financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Dividends
The Board is not recommending payment of an interim dividend for 2010. The Board is committed to resuming dividend payments when it considers it prudent to do so, but they will be linked for the foreseeable future to the Group's cash generating ability and will normally be restricted to not more than 50% of operating cash flow less interest and tax to comply with the undertakings given for the Group's banking arrangements.

Outlook
The actions taken in the first half both at the Group and Fund level cushion Capital & Regional against any softening in property values but also give us the stable management platform necessary to develop as a specialist property company with an extensive track record in retail and related sectors. Flexibility will be key as we seek to take advantage of opportunities to recycle capital within the existing funds, to exploit consolidation opportunities within the broader fund sector and to acquire individual assets or portfolios.

The outlook for the sector remains challenging and we will as a consequence continue to manage the balance sheet prudently, but I believe that the Group is better placed than at any point in the last two years to exploit these market conditions to the advantage of our shareholders.

Hugh Scott-Barrett
Chief Executive

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's future performance and could cause actual results to differ materially from expected and historical results. A detailed explanation was included on pages 24 and 25 of the Group's annual report for the year ended 30 December 2009. Those principal risks and uncertainties, which are summarised below, have not changed in the period to 30 June 2010.

Property risks:
- Property investment market
- Tenants
- Valuation
- Property management income
- Nature of investments

Funding and treasury risks:
- Liquidity and funding
- Covenant compliance
- Foreign exchange exposure
- Interest rate exposure

Other risks:
- Tax and regulation
- Loss of key management

The Group carries out a regular review of the major risks it faces and monitors the controls that have been put in place to mitigate them. Property risks are also monitored at various levels within divisional management.

The risks noted above do not comprise all those potentially faced by the Group and are not intended to be presented in any order of priority. Additional risks and uncertainties currently unknown to the Group, or which the Group currently deems immaterial, may also have an adverse effect on the financial condition or business of the Group in the future. These issues are kept under constant review to allow the Group to react in an appropriate and timely manner to help mitigate the impact of such risks.

Responsibility statement

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union;

- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein)

By order of the Board

F Desai
Company Secretary
10 August 2010

Independent review report to Capital & Regional plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
10 August 2010
London, UK

Condensed consolidated income statement

For the six months to 30 June 2010

	Note	**(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Revenue	2b	**16.4**	20.2	37.8
Cost of sales	3	**(4.4)**	(11.8)	(16.0)
Gross profit		**12.0**	8.4	21.8
Administrative costs		**(5.7)**	(8.8)	(15.5)
Share of profit/(loss) in joint ventures and associates	9a, 10	**16.5**	(123.6)	(106.8)
Loss on revaluation of investment properties	7, 10	**(0.3)**	(4.1)	(2.8)
(Loss)/profit on sale of properties and investments	13, 10	**(0.2)**	0.9	(0.2)
Impairment of goodwill	8, 10	**–**	(1.0)	(1.6)
Profit/(loss) on ordinary activities before financing	10	**22.3**	(128.2)	(105.1)
Finance income		**0.6**	1.4	2.7
Finance costs	4	**(5.4)**	(4.0)	(11.0)
Profit/(loss) before tax		**17.5**	(130.8)	(113.4)
Current tax	5a	**(0.7)**	(3.2)	(3.7)
Deferred tax	5a	**–**	(0.7)	(2.6)
Tax charge		**(0.7)**	(3.9)	(6.3)
Profit/(loss) for the period		**16.8**	(134.7)	(119.7)
Basic earnings/(loss) per share (restated)	6	**5p**	(97)p	(59)p
Diluted earnings/(loss) per share (restated)	6	**5p**	(97)p	(59)p

All results derive from continuing activities. The profit for the current period and the loss for the preceding year are fully attributable to equity shareholders.

June 2009 comparative loss per share figures have been restated to show the impact of the open offer element of the Capital Raising in September 2009 but exclude the impact of the firm placing element.

Condensed consolidated statement of comprehensive income

For the six months to 30 June 2010

	(Unaudited) Six months to 30 June 2010 £m	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Profit/(loss) for the period	**16.8**	(134.7)	(119.7)
Exchange differences on translation of foreign operations	**(4.9)**	(7.2)	(3.9)
Gains on a hedge of a net investment taken to equity	**4.3**	6.4	3.9
Other comprehensive income	**(0.6)**	(0.8)	–
Total comprehensive income for the period	**16.2**	(135.5)	(119.7)

The total comprehensive income for the current period and the preceding year is fully attributable to equity shareholders.

Condensed consolidated balance sheet

As at 30 June 2010

	Note	**(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Non-current assets				
Investment properties	7a	**9.9**	12.3	10.2
Long leasehold owner-occupied property	7a	**–**	10.1	–
Goodwill	8	**2.6**	3.2	2.6
Plant and equipment		**1.0**	0.9	1.0
Available-for-sale investments		**0.3**	0.2	0.3
Receivables		**24.8**	24.0	25.0
Investment in associates	9b	**93.2**	62.2	76.4
Investment in joint ventures	9c	**19.3**	22.9	30.3
Deferred tax asset		**–**	0.7	–
Total non-current assets		**151.1**	136.5	145.8
Current assets				
Trading properties	7a	**70.8**	67.8	70.7
Properties held for sale	7b	**–**	–	13.5
Receivables		**7.2**	6.4	6.9
Current tax recoverable		**0.5**	2.0	0.7
Cash and cash equivalents		**24.1**	4.2	17.5
Total current assets		**102.6**	80.4	109.3
Total assets		**253.7**	216.9	255.1
Current liabilities				
Bank loans		**(0.6)**	(18.0)	(0.2)
Trade and other payables		**(17.0)**	(24.4)	(24.0)
Liabilities related to properties held for sale		**–**	–	(1.0)
Current tax liabilities		**(8.5)**	(19.5)	(8.1)
Total current liabilities		**(26.1)**	(61.9)	(33.3)
Non-current liabilities				
Bank loans		**(70.0)**	(101.1)	(78.6)
Other payables		**(0.2)**	(3.1)	(2.2)
Deferred tax liabilities	5c	**(1.2)**	–	(1.2)
Non-current tax liabilities		**(10.0)**	–	(10.0)
Total non-current liabilities		**(81.4)**	(104.2)	(92.0)
Total liabilities		**(107.5)**	(166.1)	(125.3)
Net assets		**146.2**	50.8	129.8
Equity				
Share capital		**9.9**	7.1	9.9
Share premium account		**–**	220.5	–
Other reserves		**153.0**	13.2	153.6
Capital redemption reserve		**4.4**	4.4	4.4
Own shares held		**(9.7)**	(9.7)	(9.7)
Retained loss		**(11.4)**	(184.7)	(28.4)
Equity shareholders' funds		**146.2**	50.8	129.8
Basic net assets per share (restated)	11	**£0.42**	£0.35	£0.37
Triple net fully diluted net assets per share (restated)	11	**£0.42**	£0.35	£0.37
EPRA net assets per share (restated)	11	**£0.52**	£0.61	£0.47

June 2009 comparative net assets per share figures have been restated to show the impact of the open offer element of the Capital Raising in September 2009 but exclude the impact of the firm placing element.

Condensed consolidated statement of changes in equity

For the six months to 30 June 2010

	Share capital £m	Special reserve £m	Merger reserve £m	Acquisition reserve £m	Foreign currency reserve £m	Net investment hedging reserve £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
Balance at 31 December 2009	**9.9**	**79.5**	**60.3**	**9.5**	**10.0**	**(5.7)**	**4.4**	**(9.7)**	**(28.4)**	**129.8**
Profit for the period	–	–	–	–	–	–	–	–	16.8	16.8
Other comprehensive income for the period	–	–	–	–	(4.9)	4.3	–	–	–	(0.6)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(4.9)**	**4.3**	**–**	**–**	**16.8**	**16.2**
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	–	–	0.2	0.2
Balance at 30 June 2010 (unaudited)	**9.9**	**79.5**	**60.3**	**9.5**	**5.1**	**(1.4)**	**4.4**	**(9.7)**	**(11.4)**	**146.2**

For the six months to 30 June 2009

	Share capital £m	Share premium account £m	Special reserve £m	Merger reserve £m	Acquisition reserve £m	Foreign currency reserve £m	Net investment hedging reserve £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
Balance at 31 December 2008	**7.1**	**220.5**	**–**	**–**	**9.5**	**13.9**	**(9.6)**	**4.4**	**(9.7)**	**(50.0)**	**186.1**
Loss for the period	–	–	–	–	–	–	–	–	–	(134.7)	(134.7)
Other comprehensive income for the period	–	–	–	–	–	(7.2)	6.4	–	–	–	(0.8)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(7.2)**	**6.4**	**–**	**–**	**(134.7)**	**(135.5)**
Ineffective portion of hedge	–	–	–	–	–	–	0.2	–	–	(0.2)	–
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	–	–	–	0.2	0.2
Balance at 30 June 2009 (unaudited)	**7.1**	**220.5**	**–**	**–**	**9.5**	**6.7**	**(3.0)**	**4.4**	**(9.7)**	**(184.7)**	**50.8**

For the year to 30 December 2009

	Share capital £m	Share premium account £m	Special reserve £m	Merger reserve £m	Acquisition reserve £m	Foreign currency reserve £m	Net investment hedging reserve £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
Balance at 31 December 2008	**7.1**	**220.5**	**–**	**–**	**9.5**	**13.9**	**(9.6)**	**4.4**	**(9.7)**	**(50.0)**	**186.1**
Loss for the period	–	–	–	–	–	–	–	–	–	(119.7)	(119.7)
Other comprehensive income for the period	–	–	–	–	–	(3.9)	3.9	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(3.9)**	**3.9**	**–**	**–**	**(119.7)**	**(119.7)**
Shares issued at a premium	2.8	–	–	60.3	–	–	–	–	–	–	63.1
Cancellation of share premium account	–	(220.5)	79.5	–	–	–	–	–	–	141.0	–
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	–	–	–	0.3	0.3
Balance at 30 December 2009	**9.9**	**–**	**79.5**	**60.3**	**9.5**	**10.0**	**(5.7)**	**4.4**	**(9.7)**	**(28.4)**	**129.8**

Condensed consolidated cash flow statement

For the six months to 30 June 2010

	Note	**(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Net cash from operations	10	**2.4**	1.1	5.2
Distributions received from joint ventures and associates		**1.8**	2.2	2.8
Interest paid		**(6.1)**	(4.5)	(9.4)
Interest received		**0.1**	–	–
Income taxes paid		**–**	(0.1)	(0.7)
Cash flows from operating activities		**(1.8)**	(1.3)	(2.1)
Investing activities				
Sale of investment properties		**12.5**	–	–
Purchase of fixed assets		**(0.3)**	–	(0.1)
Disposals of joint ventures	13	**5.9**	1.2	1.2
Share buybacks from joint ventures		**0.6**	–	–
Investment in associates	9b	**(1.1)**	(0.6)	(4.6)
Investment in joint ventures	9c	**–**	(2.1)	(2.1)
Loans to joint ventures		**(1.0)**	(0.9)	(0.9)
Loans repaid by joint ventures		**0.3**	5.9	6.3
Cash flows from investing activities		**16.9**	3.5	(0.2)
Financing activities				
Proceeds from the issue of ordinary share capital		**–**	–	63.1
Bank loans drawn down		**–**	24.3	70.4
Bank loans repaid		**(8.5)**	(17.7)	(102.5)
Loan arrangement costs		**–**	–	(3.7)
Settlement of foreign exchange forward		**–**	(8.7)	(8.7)
Termination of interest rate swaps		**–**	–	(2.9)
Cash flows from financing activities		**(8.5)**	(2.1)	15.7
Net increase in cash and cash equivalents		**6.6**	0.1	13.4
Cash and cash equivalents at the beginning of the period		**17.5**	4.1	4.1
Cash and cash equivalents at the end of the period		**24.1**	4.2	17.5

Notes to the condensed financial statements

1 Accounting policies and general information

The comparative figures represent the Group's results and cash flows for the six-month period from 31 December 2008 to 30 June 2009 and for the year from 31 December 2008 to 30 December 2009. The comparative figures for the year to 30 December 2009 do not constitute the Company's statutory accounts for that period as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group's financial performance does not suffer materially from seasonal fluctuations.

Basis of preparation

The annual report for the year ended 30 December 2009 was prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Going concern

The Group prepares cash flow and covenant compliance forecasts to demonstrate that it has adequate resources available to continue in operation for the foreseeable future, being at least 12 months from the date of this report. In these forecasts the directors specifically consider anticipated future market conditions and the Group's principal risks and uncertainties. The directors believe that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the condensed set of financial statements for the six months to 30 June 2010.

Change in accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except for the following Standards and Interpretations which have been adopted by the Group in the current financial year.

IFRS 3 (revised January 2008) Business Combinations
IFRS 8 Operating Segments
IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 17 Distributions of Non-cash Assets to Owners
Amendments to IFRS 1 and IAS 27 (May 2008) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IFRS 2 (January 2008) Vesting Conditions and Cancellations
Amendments to IFRS 7 (March 2009) Improving Disclosures about Financial Instruments
Amendments to IAS 1 (September 2007) Presentation of Financial Statements
Amendments to IAS 23 (March 2007) Borrowing Costs
Amendments to IAS 27 (January 2008) Consolidated and Separate Financial Statements
Amendments to IAS 32 and IAS 1 (February 2008) Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IAS 39 (July 2008) Eligible Hedged Items
Improvements to IFRSs 2008 (May 2008)
Improvements to IFRSs 2009 (April 2009)

The adoption of these Standards and Interpretations has not led to any material changes in the Group's accounting policies, except as follows:

In relation to IFRS 3 "Business Combinations":

- acquisition costs which previously would have been included in the cost of a business combination are included as administrative expenses as they are incurred;

- any pre-existing equity interest in an entity acquired is remeasured to fair value at the date of obtaining control, with any resulting gain or loss recognised in the income statement;

- any changes in the Group's ownership interest subsequent to the date of obtaining control are recognised directly in equity, with no adjustment to goodwill; and

- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in the income statement where previously they resulted in an adjustment to goodwill.

No acquisition took place under the revised standard during the reporting period.

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the Board of directors to allocate resources between the segments and to assess their performance, in contrast to IAS 14 "Segment Reporting" which required the Group to identify business and geographical segments using a risk and rewards approach. As a result, the segmental information required by IAS 34 included in note 2 is presented in accordance with IFRS 8 and the comparatives have been restated accordingly. The separate note showing statutory segmental information included as note 3 of the latest audited financial statements is no longer required.

In relation to IAS 1 "Presentation of Financial Statements", the primary statement showing the "Statement of total recognised income and expense" is replaced by the primary statement showing the "Statement of comprehensive income", and the primary statement showing the "Reconciliation of movement in equity shareholders" funds is replaced by the primary statement showing the "Consolidated statement of changes in equity". The latter shows changes in each component of equity for each period presented and therefore the information included as notes 26 and 27 of the latest audited financial statements is no longer required. If the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements, it presents an additional balance sheet as at the beginning of the earliest comparative period, but no such restatement or reclassification has been made in the current period.

2a Segmental analysis

In prior years, segmental information was split between asset businesses, comprising the Group's property investment activities in the UK and Germany, and earnings businesses, comprising the Group's property management business and SNO!zone. While these definitions continue to be valid, the information provided to the Board of directors for the purposes of resource allocation and assessment of segment performance is split further to show, for example, the individual funds and joint ventures that comprise the asset businesses.

The Group's reportable segments under IFRS 8 are therefore The Mall, The Junction, X-Leisure, the German joint venture, CRPM (including the X-Leisure Limited joint venture) and SNO!zone. Other segments not individually reportable include the Group's remaining associates and joint ventures, comprising FIX UK, Xscape Braehead, MEN Arena (sold in 2010) and Cardiff (sold in 2009), and its wholly owned properties, comprising Great Northern Warehouse, Hemel Hempstead and 10 Lower Grosvenor Place/Beeston Place (sold in 2010). These segments have been combined as "Other" in the table below as they meet the aggregation criteria under IFRS 8. Non-segment items include Group overheads incurred by Capital & Regional plc and other subsidiaries, and the interest expense on the Group's central borrowing facility.

The Group's asset businesses segments, comprising The Mall, The Junction, X-Leisure, the German joint venture and Other, derive their revenue from the rental of investment and trading properties. The Group's earnings businesses segments, comprising CRPM and SNO!zone, derive their revenue from the management of property funds and joint ventures and the operation of indoor ski slopes. The split of revenue between these classifications satisfies the requirement of IFRS 8 to report revenues from different products and services. Depreciation and the variable overhead represent the only significant non-cash expenses.

The Group's interests in the profit or loss, assets and liabilities of its associates and joint ventures are proportionately consolidated and shown on a see-through basis as this is how they are reported to the Board of directors. Inter-segment revenue and expenses represent items eliminated on consolidation and are accounted for on an arm's-length basis. Management fees and other revenue is earned by CRPM from the asset business segments, where they are included under property and void costs, but since these segments are proportionately consolidated in the segmental analysis they would not eliminate and hence are not split out separately.

There are no differences between the measurements of the segments' profit or loss, assets and liabilities as they are reported to the Board of directors and their presentation under the Group's accounting policies.

Notes to the condensed financial statements continued

2a Segmental analysis continued

		Asset businesses					Earnings businesses				
		Property investment									
Period to 30 June 2010	Note	The Mall £m	The Junction £m	X-Leisure £m	Germany £m	Other £m	CRPM £m	SNO!zone £m	**Total reportable segments £m**	Non-segment items £m	**Total £m**
Rental income from external sources	2b	10.5	2.3	2.6	10.3	6.5	–	–	**32.2**	–	**32.2**
Property and void costs		(2.7)	(0.3)	(0.6)	(1.5)	(0.8)	–	–	**(5.9)**	–	**(5.9)**
Net rental income		7.8	2.0	2.0	8.8	5.7	–	–	**26.3**	–	**26.3**
Interest revenue		0.1	–	–	–	–	–	–	**0.1**	–	**0.1**
Interest expense		(5.4)	(1.8)	(1.6)	(5.3)	(4.3)	–	–	**(18.4)**	–	**(18.4)**
Contribution		2.5	0.2	0.4	3.5	1.4	–	–	**8.0**	–	**8.0**
Management fees	2b	–	–	–	–	–	7.3	–	**7.3**	–	**7.3**
Management expenses		–	–	–	–	–	(4.6)	–	**(4.6)**	(1.6)	**(6.2)**
SNO!zone income	2b	–	–	–	–	–	–	6.5	**6.5**	–	**6.5**
SNO!zone expenses		–	–	–	–	–	–	(6.0)	**(6.0)**	–	**(6.0)**
Depreciation		–	–	–	–	–	(0.1)	(0.2)	**(0.3)**	–	**(0.3)**
Inter-segment revenue	2b	–	–	–	–	0.1	0.1	–	**0.2**	–	**0.2**
Inter-segment expenses		–	–	–	–	(0.1)	(0.1)	–	**(0.2)**	–	**(0.2)**
Interest revenue on central cash balances		–	–	–	–	–	–	–	**–**	0.1	**0.1**
Interest expense on central facility		–	–	–	–	–	–	–	**–**	(0.5)	**(0.5)**
Recurring pre-tax profit		2.5	0.2	0.4	3.5	1.4	2.6	0.3	**10.9**	(2.0)	**8.9**
Variable overhead		–	–	–	–	–	(0.1)	–	**(0.1)**	(0.1)	**(0.2)**
Revaluation of investment properties	6	5.7	3.0	7.2	(1.7)	(0.2)	–	–	**14.0**	–	**14.0**
Deemed disposals		–	0.1	–	–	–	–	–	**0.1**	–	**0.1**
Profit/(loss) on disposals		0.7	0.8	0.1	(0.7)	–	–	–	**0.9**	–	**0.9**
Impairment of trading property	3, 7a	–	–	–	–	0.1	–	–	**0.1**	–	**0.1**
Loss on financial instruments	6	(1.0)	(1.9)	(1.5)	(1.1)	(1.1)	–	–	**(6.6)**	–	**(6.6)**
Other non-recurring items		–	–	–	(0.4)	(1.1)	(0.1)	1.9	**0.3**	–	**0.3**
Profit/(loss) before tax		7.9	2.2	6.2	(0.4)	(0.9)	2.4	2.2	**19.6**	(2.1)	**17.5**
Tax charge	5a										**(0.7)**
Profit after tax											**16.8**
Total assets	2b	257.8	80.0	69.9	263.3	150.1	6.4	3.5	**831.0**		
Total liabilities	2b	(217.2)	(52.2)	(45.8)	(219.7)	(142.6)	(4.0)	(2.9)	**(684.4)**		
Net assets		40.6	27.8	24.1	43.6	7.5	2.4	0.6	**146.6**	(0.4)	**146.2**

2a Segmental analysis continued

Period to 30 June 2009	Note	Asset businesses: Property investment – The Mall £m	Asset businesses: Property investment – The Junction £m	Asset businesses: Property investment – X-Leisure £m	Asset businesses: Property investment – Germany £m	Asset businesses: Other £m	Earnings businesses: CRPM £m	Earnings businesses: SNO!zone £m	**Total reportable segments £m**	Non-segment items £m	**Total £m**
Rental income from external sources	2b	13.0	5.2	4.9	10.0	6.0	–	–	**39.1**	–	**39.1**
Property and void costs		(3.8)	(0.8)	(1.3)	(1.1)	(1.1)	–	–	**(8.1)**	–	**(8.1)**
Net rental income		9.2	4.4	3.6	8.9	4.9	–	–	**31.0**	–	**31.0**
Interest revenue		0.2	0.1	–	0.1	–	–	–	**0.4**	–	**0.4**
Interest expense		(5.9)	(3.9)	(2.6)	(5.6)	(4.1)	–	–	**(22.1)**	–	**(22.1)**
Contribution		3.5	0.6	1.0	3.4	0.8	–	–	**9.3**	–	**9.3**
Management fees	2b	–	–	–	–	–	8.9	–	**8.9**	–	**8.9**
Management expenses		–	–	–	–	–	(6.4)	–	**(6.4)**	(1.4)	**(7.8)**
SNO!zone income	2b	–	–	–	–	–	–	7.3	**7.3**	–	**7.3**
SNO!zone expenses		–	–	–	–	–	–	(6.0)	**(6.0)**	–	**(6.0)**
Depreciation		–	–	–	–	–	(0.1)	(0.2)	**(0.3)**	–	**(0.3)**
Inter-segment revenue	2b	–	–	–	–	0.4	0.2	–	**0.6**	–	**0.6**
Inter-segment expenses		–	–	–	–	(0.1)	(0.4)	(0.1)	**(0.6)**	–	**(0.6)**
Interest expense on central facility		–	–	–	–	–	–	–	**–**	(1.1)	**1.1**
Recurring pre-tax profit		3.5	0.6	1.0	3.4	1.1	2.2	1.0	**12.8**	(2.5)	**10.3**
Variable overhead		–	–	–	–	–	(0.1)	–	**(0.1)**	–	**(0.1)**
Revaluation of investment properties		(58.6)	(36.2)	(18.6)	(8.2)	(6.6)	–	–	**(128.2)**	–	**(128.2)**
Deemed disposals		–	(2.9)	–	–	–	–	–	**(2.9)**	–	**(2.9)**
(Loss)/profit on disposals		–	(0.2)	(3.5)	–	0.5	–	–	**(3.2)**	0.4	**(2.8)**
Impairment of trading property	3	–	–	–	–	(5.0)	–	–	**(5.0)**	–	**(5.0)**
Impairment of goodwill	8	–	–	–	–	–	(1.0)	–	**(1.0)**	–	**(1.0)**
Gain/(loss) on financial instruments		1.7	(0.8)	0.5	(1.7)	0.8	–	–	**0.5**	0.3	**0.8**
Other non-recurring items		–	(0.5)	–	–	–	(0.8)	–	**(1.3)**	(0.6)	**(1.9)**
(Loss)/profit before tax		(53.4)	(40.0)	(20.6)	(6.5)	(9.2)	0.3	1.0	**(128.4)**	(2.4)	**(130.8)**
Tax charge	5a										**(3.9)**
Loss after tax											**(134.7)**
Total assets	2b	280.1	83.0	111.4	278.0	149.6	6.2	2.7	**911.0**		
Total liabilities	2b	(254.5)	(64.7)	(93.1)	(234.3)	(136.9)	(4.1)	(5.0)	**(792.6)**		
Net assets		25.6	18.3	18.3	43.7	12.7	2.1	(2.3)	**118.4**	(67.6)	**50.8**

Notes to the condensed financial statements continued

2a Segmental analysis continued

Year to 30 December 2009	Note	**Asset businesses** Property investment The Mall £m	The Junction £m	X-Leisure £m	Germany £m	Other £m	**Earnings businesses** CRPM £m	SNO!zone £m	**Total reportable segments £m**	Non-segment items £m	**Total £m**
Rental income from external sources	2b	25.5	8.2	8.1	20.0	11.9	–	–	**73.7**	–	**73.7**
Property and void costs		(7.1)	(1.2)	(1.8)	(2.6)	(2.4)	–	–	**(15.1)**	–	**(15.1)**
Net rental income		18.4	7.0	6.3	17.4	9.5	–	–	**58.6**	–	**58.6**
Interest revenue		0.3	0.1	–	–	–	–	–	**0.4**	–	**0.4**
Interest expense		(11.8)	(6.5)	(4.6)	(11.3)	(8.3)	–	–	**(42.5)**	–	**(42.5)**
Contribution		6.9	0.6	1.7	6.1	1.2	–	–	**16.5**	–	**16.5**
Management fees	2b	–	–	–	–	–	17.1	–	**17.1**	–	**17.1**
Management expenses		–	–	–	–	–	(11.1)	–	**(11.1)**	(3.9)	**(15.0)**
SNO!zone income	2b	–	–	–	–	–	–	13.7	**13.7**	–	**13.7**
SNO!zone expenses		–	–	–	–	–	–	(12.4)	**(12.4)**	–	**(12.4)**
Depreciation		–	–	–	–	–	(0.1)	(0.3)	**(0.4)**	–	**(0.4)**
Inter-segment revenue	2b	–	–	–	–	0.9	0.3	–	**1.2**	–	**1.2**
Inter-segment expenses		–	–	–	–	(0.2)	(0.9)	(0.1)	**(1.2)**	–	**(1.2)**
Interest expense on central facility		–	–	–	–	–	–	–	**–**	(2.0)	**(2.0)**
Recurring pre-tax profit		6.9	0.6	1.7	6.1	1.9	5.3	0.9	**23.4**	(5.9)	**17.5**
Variable overhead		–	–	–	–	–	(0.3)	–	**(0.3)**	–	**(0.3)**
Revaluation of investment properties		(50.3)	(26.1)	(18.8)	(10.5)	(2.7)	–	–	**(108.4)**	–	**(108.4)**
Deemed disposals		–	(2.8)	(4.4)	–	–	–	–	**(7.2)**	–	**(7.2)**
(Loss)/profit on disposals		(3.7)	(2.1)	(3.4)	–	0.5	–	–	**(8.7)**	(0.7)	**(9.4)**
Impairment of trading property	3, 7a	–	–	–	–	(2.1)	–	–	**(2.1)**	–	**(2.1)**
Impairment of goodwill	8	–	–	–	–	–	(1.6)	–	**(1.6)**	–	**(1.6)**
Gain/(loss) on financial instruments		0.7	(1.3)	0.4	(1.0)	0.8	–	–	**(0.4)**	0.7	**0.3**
Other non-recurring items		–	(0.6)	(0.2)	(0.1)	0.4	(0.5)	–	**(1.0)**	(1.2)	**(2.2)**
(Loss)/profit before tax		(46.4)	(32.3)	(24.7)	(5.5)	(1.2)	2.9	0.9	**(106.3)**	(7.1)	**(113.4)**
Tax charge	5a										**(6.3)**
Loss after tax											**(119.7)**
Total assets	2b	281.7	81.2	67.2	292.6	157.2	7.2	3.5	**890.6**		
Total liabilities	2b	(249.1)	(55.6)	(49.0)	(245.9)	(140.0)	(3.9)	(5.2)	**(748.7)**		
Net assets		32.6	25.6	18.2	46.7	17.2	3.3	(1.7)	**141.9**	(12.1)	**129.8**

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	**(Unaudited) Six months to 30 June 2010 Total £m**	(Unaudited) Six months to 30 June 2009 Total £m	Year to 30 December 2009 Total £m
Rental income from external sources	2a	**32.2**	39.1	73.7
Inter-segment revenue	2a	**0.2**	0.6	1.2
Management fees	2a	**7.3**	8.9	17.1
SNO!zone income	2a	**6.5**	7.3	13.7
Total revenue for reportable segments		**46.2**	55.9	105.7
Elimination of inter-segment revenue		**(0.2)**	(0.6)	(1.2)
Rental income in associates and joint ventures		**(28.4)**	(35.1)	(65.8)
Management fees in joint ventures		**(1.2)**	–	(0.9)
Group revenue		**16.4**	20.2	37.8
Revenue for reportable segments by country				
UK		**35.9**	45.9	85.7
Germany		**10.3**	10.0	20.0
		46.2	55.9	105.7

Revenue is attributed to countries on the basis of the location of the underlying properties. All Group revenue in the current period and preceding year arises in the UK. Revenue from the Group's major customer is management fee income from The Mall, which is included in the CRPM segment. This represented £4.7 million (June 2009: £4.8 million) of the Group's total revenue of £16.4 million (June 2009: £20.2 million). Further information on related party transactions is included in note 16 to the condensed financial statements.

Assets	Note	**(Unaudited) 30 June 2010 Total £m**	(Unaudited) 30 June 2009 Total £m	30 December 2009 Total £m
Total assets of reportable segments	2a	**831.0**	911.0	890.6
Adjustment for associates and joint ventures		**(624.5)**	(722.1)	(675.9)
Other assets		**47.2**	28.0	40.4
Group assets		**253.7**	216.9	255.1
Non-current assets by country				
UK		**402.6**	483.4	419.4
Germany		**237.3**	254.5	266.0
		639.9	737.9	685.4

Non-current assets represent investment properties recognised on a see-through basis, which excludes trading properties and properties held for sale.

Liabilities	Note	**(Unaudited) 30 June 2010 Total £m**	(Unaudited) 30 June 2009 Total £m	30 December 2009 Total £m
Total liabilities of reportable segments	2a	**(684.4)**	(792.6)	(748.7)
Adjustment for associates and joint ventures		**598.6**	698.9	654.3
Other liabilities		**(21.7)**	(72.4)	(30.9)
Group liabilities		**(107.5)**	(166.1)	(125.3)

Notes to the condensed financial statements continued

3 Cost of sales

	Note	(Unaudited) Six months to 30 June 2010 Total £m	(Unaudited) Six months to 30 June 2009 Total £m	Year to 30 December 2009 Total £m
Property costs		**0.1**	0.5	1.0
Void costs		**0.1**	0.1	0.2
SNO!zone expenses		**4.3**	6.2	12.7
Impairment of trading properties	2a, 7a	**(0.1)**	5.0	2.1
Total cost of sales		**4.4**	11.8	16.0

4 Finance costs

	(Unaudited) Six months to 30 June 2010 £m	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Net interest payable on bank loans, overdrafts and swaps	**2.7**	4.1	8.8
Amortisation of loan issue costs	**0.3**	0.2	2.5
Other interest payable	**0.3**	0.8	(0.4)
Loss/(gain) in fair value of financial instruments – interest rate swaps	**1.9**	(1.0)	–
Loss/(gain) in fair value of financial instruments – forward foreign exchange contracts	**0.2**	(0.1)	0.1
Total finance costs	**5.4**	4.0	11.0

5 Tax

5a Tax charge

	Note	(Unaudited) Six months to 30 June 2010 £m	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Current tax charge				
UK corporation tax		**0.9**	–	–
Adjustments in respect of prior years	5b	**(0.2)**	3.2	3.6
Foreign tax		**–**	–	0.1
Total current tax		**0.7**	3.2	3.7
Deferred tax charge				
Origination and reversal of temporary timing differences	5c	**–**	0.7	2.6
Total deferred tax		**–**	0.7	2.6
Total tax charge	2a, 5b	**0.7**	3.9	6.3

£nil (June 2009: £nil) of the tax charge relates to items included in other comprehensive income.

5 Tax continued

5b Tax charge reconciliation

	Note	(Unaudited) Six months to 30 June 2010 £m	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Profit/(loss) before tax		**17.5**	(130.8)	(113.4)
Profit/(loss) multiplied by UK corporation tax rate of 28%		**4.9**	(36.6)	(31.8)
Non-allowable expenses and non-taxable items (restated)*		**0.1**	(5.0)	(4.8)
Utilisation of tax losses		**(1.1)**	5.9	4.0
Revaluation gains (restated)*		**(0.9)**	2.5	1.7
Unrealised gains on investment property not taxable		**(4.4)**	33.0	29.3
Temporary timing differences including CFC income		**2.3**	0.9	4.4
Overseas tax rate differences		**–**	–	(0.1)
Prior year adjustments	5a	**(0.2)**	3.2	3.6
Total tax charge	5a	**0.7**	3.9	6.3

* Comparative amounts have been restated for consistency with the presentation in the current period.

5c Deferred tax asset/(liabilities)

	Note	Capital allowances £m	Other timing differences £m	(Unaudited) 30 June 2010 £m	(Unaudited) 30 June 2009 £m	30 December 2009 £m
At the start of the period		(4.9)	3.7	**(1.2)**	1.4	1.4
Deferred tax credit/(charge)	5a	0.2	(0.2)	**–**	(0.7)	(2.6)
At the end of the period		(4.7)	3.5	**(1.2)**	0.7	(1.2)

The UK corporation tax rate will be reduced by 1% to 27% from 1 April 2011 but since the change was not enacted or substantively enacted by the balance sheet date the rate at which deferred tax is recorded in the condensed financial statements remains 28% (December 2009: 28%).

Notes to the condensed financial statements continued

5 Tax continued

5d Unused tax losses

	(Unaudited) 30 June 2010 £m	(Unaudited) 30 June 2009 £m	30 December 2009 £m
UK	**121.6**	115.8	108.1
Overseas	**–**	4.6	–
Total unused tax losses	**121.6**	120.4	108.1

A deferred tax asset of £0.7 million (December 2009: £0.7 million) has been recognised in respect of £2.5 million (December 2009: £2.5 million) of these losses, based on future profit forecasts. No deferred tax asset has been recognised in respect of the remainder owing to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses. In particular, no deferred tax asset has been recognised in respect of £3.6 million (December 2009: £3.1 million) of deductible temporary timing differences as it is not certain that a deduction will be available when the asset crystallises. The Group also has unused capital losses of £22.3 million (December 2009: £20.5 million) available for offset against future capital gains but no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. None (December 2009: none) of the losses have an expiry date.

The calculation of the Group's tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. The Group has undertaken a number of other significant transactions in prior years which still need to be agreed with the tax authorities. The Group has assessed the potential exposure in respect of these transactions and maintains a limited provision on the expectation that no material liability will arise. The Group continues to monitor the position together with its advisers and is seeking to agree these outstanding matters with the tax authorities.

6 Earnings/(loss) per share

The European Public Real Estate Association ("EPRA") has issued recommended bases for the calculation of certain earnings per share information as shown in the following tables:

	Note	Basic	Diluted	EPRA diluted
Profits (£m)				
Profit for the period		16.8	16.8	16.8
Revaluation of investment properties	2a	–	–	(14.0)
Profit on disposals of investment properties (net of tax)		–	–	(0.6)
Movement in fair value of financial instruments	2a	–	–	6.6
Deferred tax credit on capital allowances		–	–	(0.2)
		16.8	16.8	8.6
Weighted average number of shares (m)				
Ordinary shares in issue		350.6	350.6	350.6
Own shares held		(2.2)	(2.2)	(2.2)
Dilutive contingently issuable shares and share options		–	0.5	0.5
		348.4	348.9	348.9
Earnings per share (pence) for the six months to 30 June 2010 (unaudited)		**5p**	**5p**	**2p**
Restated loss per share (pence) for the six months to 30 June 2009 (unaudited)*		(97)p	(97)p	(3)p
(Loss)/earnings per share (pence) for the year to 30 December 2009		(59)p	(59)p	1p

* June 2009 comparative figures have been restated to show the impact of the open offer element of the Capital Raising in September 2009 but exclude the impact of the firm placing element.

The Group has 14,702,080 (December 2009: 1,394,161) contingently issuable shares granted under share-based payment schemes that could potentially dilute basic earnings per share in the future but which have not been included in the calculation of diluted earnings per share because the conditions for vesting have not been met.

7 Property assets
7a Wholly owned properties

	Note	Freehold investment properties £m	Leasehold investment properties £m	Sub-total investment properties £m	Long leasehold owner occupied property £m	Freehold trading properties £m	**Total property assets £m**
Cost or valuation							
As at 31 December 2008		0.2	15.1	15.3	10.8	72.8	**98.9**
Impairment of trading properties	2a, 3	–	–	–	–	(2.1)	**(2.1)**
Revaluation movement recognised in income statement		–	(2.7)	(2.7)	(0.1)	–	**(2.8)**
Head leases treated as finance leases		–	–	–	0.4	–	**0.4**
Transfer to properties held for sale	7b	–	(2.4)	(2.4)	(11.1)	–	**(13.5)**
As at 30 December 2009		0.2	10.0	10.2	–	70.7	**80.9**
Reversal of impairment of trading properties	2a, 3	–	–	–	–	0.1	**0.1**
Revaluation movement recognised in income statement		–	(0.3)	(0.3)	–	–	**(0.3)**
As at 30 June 2010		**0.2**	**9.7**	**9.9**	**–**	**70.8**	**80.7**

7b Properties held for sale

	Note	Leasehold investment property £m	Long leasehold owner occupied property £m	**Total properties held for sale £m**
At 31 December 2008		–	–	**–**
Transfer from wholly owned properties	7a	2.4	11.1	**13.5**
At 30 December 2009		2.4	11.1	**13.5**
Disposals		(2.4)	(11.1)	**(13.5)**
At 30 June 2010		**–**	**–**	**–**

The sale of the long leasehold owner occupied property in the period allowed the repayment of £7.4 million of Group debt.

Notes to the condensed financial statements continued

7 Property assets continued
7c Valuations
In addition to the wholly owned properties shown above, the Group's property assets include its share in the investment properties held by its associates and joint ventures. External valuations at 30 June 2010 were carried out on £2,867.8 million (December 2009: £3,133.4 million) of these property assets, of which the Group's share was £671.8 million (December 2009: £758.8 million).

The valuations were carried out by independent qualified professional valuers working for DTZ Debenham Tie Leung Chartered Surveyors, CB Richard Ellis Limited Chartered Surveyors, Jones Lang LaSalle Chartered Surveyors, Cushman & Wakefield Chartered Surveyors and King Sturge Chartered Surveyors. These external valuers are not connected with the Group. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

Directors' valuations at 30 June 2010 were carried out on £139.7 million (December 2009: £12.7 million) of the Group's property assets, of which the Group's share was £28.1 million (December 2009: £12.7 million). The valuations were carried out by Kenneth C Ford BSc FRICS and were arrived at by reference to market evidence of transaction prices for similar properties.

8 Goodwill

	Note	**(Unaudited) 30 June 2010 £m**	(Unaudited) 30 June 2009 £m	30 December 2009 £m
At the start of the period		**2.6**	4.2	4.2
Provision for impairment	2a	**–**	(1.0)	(1.6)
At the end of the period		**2.6**	3.2	2.6

The goodwill carried in the Group balance sheet relates to the X-Leisure asset and property management contract held by the Group's X-Leisure Limited joint venture. This goodwill is tested annually for impairment or more frequently if there are indications that it might be impaired.

9 Investment in associates and joint ventures
9a Share of results

	Note	**(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Share of results of associates		**16.5**	(111.1)	(96.2)
Dilution effect of The Junction open offer		**0.1**	(2.9)	(2.8)
Dilution effect of X-Leisure open offer		**–**	–	(4.4)
	9d	**16.6**	(114.0)	(103.4)
Share of results of joint ventures	9e	**(0.1)**	(9.6)	(3.4)
		16.5	(123.6)	(106.8)

9 Investment in associates and joint ventures continued

9b Investment in associates

	Note	**(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
At the start of the period		**76.4**	182.3	182.3
Investment in associates		**1.1**	0.6	4.6
Impairments		**(0.6)**	–	(0.4)
Share of results of associates	9d	**16.6**	(114.0)	(103.4)
Dividends and capital distributions received		**(0.3)**	(6.7)	(6.7)
At the end of the period	9d	**93.2**	62.2	76.4

The Group's investments in associates include The Mall LP, The Junction LP, X-Leisure LP and The FIX UK LP. Despite the fact that the Group holds less than 20% in The Mall LP, The Junction LP and X-Leisure LP, they are accounted for as associates as the Group has significant influence arising from its representation on the General Partner boards. The Group holds 20% of The FIX UK LP and also exercises significant influence through its representation on the General Partner board.

The value of the Group's investment in FIX UK was written down to £nil in 2009 but a further equity contribution of £1.1 million in 2010, together with the profit generated by FIX UK in the period, mean it is now included at a value of £0.7 million. Because of its relative immateriality, the investment in FIX UK is not split out separately in note 9d.

At 30 December 2009, the Group held a 13.44% share in The Junction LP. Under the terms of the fund's open offer in 2009, adjustments could be made to the price at which new units were issued in the open offer to reflect the recoverability of debtors and the expected costs of certain remedial works. An impairment of £0.4 million had been made at 30 December 2009 to reflect the expected impact of these adjustments, at which level the Group's share in the fund would have been reduced to 13.21%. In the event, the impact of the adjustments meant the Group's share in the fund was reduced to 13.29%, resulting in a reversal of £0.1 million of the impairment charge which has been shown as a movement in deemed disposals in 2010. The adjustment includes the effect of backdating the changed ownership percentage to May 2009.

9c Investment in joint ventures

	Note	**(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
At the start of the period		**30.3**	34.4	34.4
Investment in joint ventures		**–**	2.1	2.1
Net liabilities of Cardiff joint venture disposed of		**–**	0.5	0.5
Net assets of MEN Arena joint venture disposed of	13	**(5.9)**	–	–
Dividends and capital distributions received		**(2.1)**	(0.1)	(0.7)
Share of results of joint ventures	9e	**(0.1)**	(9.6)	(3.4)
Foreign exchange differences		**(2.9)**	(4.4)	(2.6)
At the end of the period	9e	**19.3**	22.9	30.3

The Group's investments in joint ventures include its share of the German portfolio (48.8%), and its investments in X-Leisure Limited (50%), Xscape Braehead Partnership (50%) and The Auchinlea Partnership (50%). The Group's share in the German portfolio is accounted for at 50% as the minority interests are included as a liability on the joint venture balance sheet. As described in note 13, the 30% investment in Manchester Arena Complex Limited Partnership, which owned the MEN Arena investment property, was sold on 15 June 2010 but the Group's share of its results are included up to that date.

Notes to the condensed financial statements continued

9 Investment in associates and joint ventures continued

9d Analysis of investment in associates

	The Mall LP £m	The Junction LP £m	X-Leisure LP £m	**(Unaudited) Six months to 30 June 2010 Total £m**	(Unaudited) Six months to 30 June 2009 Total £m	Year to 30 December 2009 Total £m
Income statement (100%)						
Revenue – gross rent	62.6	17.6	21.8	**102.0**	125.7	247.7
Property and management expenses	(12.0)	(1.7)	(4.6)	**(18.3)**	(28.2)	(48.9)
Void costs	(4.0)	(0.7)	(0.7)	**(5.4)**	(4.7)	(11.1)
Net rent	46.6	15.2	16.5	**78.3**	92.8	187.7
Net interest payable	(31.4)	(14.0)	(12.8)	**(58.2)**	(63.9)	(133.0)
Contribution	15.2	1.2	3.7	**20.1**	28.9	54.7
Performance fees	–	–	–	**–**	(0.9)	–
Revaluation of investment properties	34.4	22.4	59.8	**116.6**	(584.7)	(458.3)
Profit/(loss) on sale of investment properties	4.2	6.1	0.4	**10.7**	(19.6)	(54.3)
Loan renegotiation costs	–	–	–	**–**	(3.5)	(4.6)
Fair value of interest rate swaps	(6.2)	(14.2)	(12.4)	**(32.8)**	15.4	5.4
	47.6	15.5	51.5	**114.6**	(564.4)	(457.1)
Profit from FIX UK				**1.2**	–	–
Profit/(loss) for the period				**115.8**	(564.4)	(457.1)
Balance sheet (100%)						
Investment properties	1,243.9	531.1	539.7	**2,314.7**	2,554.4	2,454.9
Current assets	298.3	70.9	46.0	**415.2**	314.1	400.9
Current liabilities	(132.5)	(51.1)	(61.8)	**(245.4)**	(306.8)	(251.8)
Non-current liabilities	(1,164.9)	(341.9)	(322.2)	**(1,829.0)**	(2,175.8)	(2,060.7)
	244.8	209.0	201.7	**655.5**	385.9	543.3
Net assets of FIX UK				**3.6**	–	–
Net assets (100%)				**659.1**	385.9	543.3

9 Investment in associates and joint ventures continued

9d Analysis of investment in associates continued

	Note	The Mall LP £m	The Junction LP £m	X-Leisure LP £m	**(Unaudited) Six months to 30 June 2010 Total £m**	(Unaudited) Six months to 30 June 2009 Total £m	Year to 30 December 2009 Total £m
Income statement (Group share)							
Revenue – gross rent		10.5	2.3	2.6	**15.4**	23.1	41.8
Property and management expenses		(2.0)	(0.2)	(0.5)	**(2.7)**	(5.2)	(8.3)
Void costs		(0.7)	(0.1)	(0.1)	**(0.9)**	(0.7)	(1.8)
Net rent		7.8	2.0	2.0	**11.8**	17.2	31.7
Net interest payable		(5.3)	(1.8)	(1.6)	**(8.7)**	(12.1)	(22.5)
Contribution		2.5	0.2	0.4	**3.1**	5.1	9.2
Deemed disposal		–	0.1	–	**0.1**	(2.9)	(7.2)
Revaluation of investment properties		5.7	3.0	7.2	**15.9**	(113.4)	(95.2)
Profit/(loss) on sale of investment properties		0.7	0.8	0.1	**1.6**	(3.7)	(9.2)
Loan renegotiation costs		–	–	–	**–**	(0.5)	(0.8)
Fair value of interest rate swaps		(1.0)	(1.9)	(1.5)	**(4.4)**	1.4	(0.2)
		7.9	2.2	6.2	**16.3**	(114.0)	(103.4)
Profit from FIX UK					**0.3**	–	–
Profit/(loss) for the period	9a, 9b				**16.6**	(114.0)	(103.4)
Balance sheet (Group share)							
Investment properties		208.0	70.6	64.4	**343.0**	422.2	367.8
Current assets		49.8	9.4	5.5	**64.7**	52.4	62.7
Current liabilities		(22.2)	(6.8)	(7.4)	**(36.4)**	(53.1)	(38.0)
Non-current liabilities		(194.7)	(45.4)	(38.4)	**(278.5)**	(359.0)	(315.4)
		40.9	27.8	24.1	**92.8**	62.5	77.1
C&R accounting policy adjustment		(0.3)	–	–	**(0.3)**	(0.3)	(0.3)
Impairment		–	–	–	**–**	–	(0.4)
		40.6	27.8	24.1	**92.5**	62.2	76.4
Net assets of FIX UK					**0.7**	–	–
Net assets (Group share)	9b				**93.2**	62.2	76.4

	The Mall LP	The Junction LP	X-Leisure LP
Group interest			
At the start of the period	16.72%	13.29%	11.93%
Average during the period	16.72%	13.29%	11.93%
At the end of the period	16.72%	13.29%	11.93%

Notes to the condensed financial statements continued

9 Investment in associates and joint ventures continued
9e Analysis of investment in joint ventures

	German portfolio £m	X-Leisure Limited £m	Others £m	**(Unaudited) Six months to 30 June 2010 Total £m**	(Unaudited) Six months to 30 June 2009 Total £m	Year to 30 December 2009 Total £m
Income statement (100%)						
Revenue – gross rent	20.5	–	4.5	**25.0**	25.1	50.5
Property and management expenses	(2.9)	–	(0.7)	**(3.6)**	(3.4)	(7.2)
Void costs	(0.1)	–	(0.3)	**(0.4)**	–	(0.9)
Net rent	17.5	–	3.5	**21.0**	21.7	42.4
Net interest payable	(10.6)	–	(3.0)	**(13.6)**	(14.9)	(29.9)
Contribution	6.9	–	0.5	**7.4**	6.8	12.5
Revenue – management fees	–	2.3	–	**2.3**	–	1.7
Management expenses	–	(1.8)	–	**(1.8)**	–	(1.3)
Revaluation of investment properties	(3.4)	–	2.0	**(1.4)**	(23.7)	(18.5)
(Loss)/profit on sale of investment properties	(1.4)	–	0.7	**(0.7)**	(0.1)	(0.1)
Fair value movements of financial assets	–	–	–	**–**	(0.2)	(0.2)
Write-off of SNO!zone tenant incentives	–	–	(2.1)	**(2.1)**	–	–
Fair value of interest rate swaps	(2.3)	–	0.7	**(1.6)**	(3.4)	(1.3)
(Loss)/profit before tax	(0.2)	0.5	1.8	**2.1**	(20.6)	(7.2)
Tax	(0.7)	(0.1)	–	**(0.8)**	(1.0)	2.5
(Loss)/profit after tax	(0.9)	0.4	1.8	**1.3**	(21.6)	(4.7)
Balance sheet (100%)						
Investment properties	474.5	–	44.0	**518.5**	607.1	640.2
Investment properties held for sale	–	–	–	**–**	–	3.0
Current assets	18.9	1.8	11.5	**32.2**	37.5	42.5
Current liabilities	(24.4)	(1.1)	(6.7)	**(32.2)**	(47.1)	(37.4)
Non-current liabilities	(415.0)	–	(64.9)	**(479.9)**	(550.8)	(581.4)
Net assets (100%)	54.0	0.7	(16.1)	**38.6**	46.7	66.9

9 Investment in associates and joint ventures continued
9e Analysis of investment in joint ventures continued

	Note	German portfolio £m	X-Leisure Limited £m	Others £m	**(Unaudited) Six months to 30 June 2010 Total £m**	(Unaudited) Six months to 30 June 2009 Total £m	Year to 30 December 2009 Total £m
Income statement (Group share)							
Revenue – gross rent		10.3	–	1.7	**12.0**	12.0	24.1
Property and management expenses		(1.5)	–	(0.3)	**(1.8)**	(1.6)	(3.4)
Void costs		–	–	(0.1)	**(0.1)**	–	(0.4)
Net rent		8.8	–	1.3	**10.1**	10.4	20.3
Net interest payable		(5.3)	–	(1.3)	**(6.6)**	(7.1)	(14.3)
Contribution		3.5	–	–	**3.5**	3.3	6.0
Revenue – management fees		–	1.2	–	**1.2**	–	0.9
Management expenses		–	(0.9)	–	**(0.9)**	–	(0.7)
Revaluation of investment properties		(1.7)	–	0.5	**(1.2)**	(10.7)	(10.4)
(Loss)/profit on sale of investment properties		(0.7)	–	0.4	**(0.3)**	–	–
Fair value movements of financial assets		–	–	–	**–**	–	(0.1)
Write-off of SNO!zone tenant incentives		–	–	(1.0)	**(1.0)**	–	–
Fair value of interest rate swaps		(1.1)	–	0.2	**(0.9)**	(1.7)	(0.8)
C&R accounting policy adjustment		–	–	–	**–**	–	0.5
Profit/(loss) before tax		–	0.3	0.1	**0.4**	(9.1)	(4.6)
Tax		(0.4)	(0.1)	–	**(0.5)**	(0.5)	1.2
(Loss)/profit after tax	9c	(0.4)	0.2	0.1	**(0.1)**	(9.6)	(3.4)
Balance sheet (Group share)							
Investment properties		237.3	–	22.0	**259.3**	293.3	307.4
Investment properties held for sale		–	–	–	**–**	–	1.5
Current assets		9.5	0.9	5.8	**16.2**	17.4	19.4
Current liabilities		(12.2)	(0.6)	(3.4)	**(16.2)**	(21.9)	(17.2)
Non-current liabilities		(207.6)	–	(32.4)	**(240.0)**	(265.9)	(281.3)
		27.0	0.3	(8.0)	**19.3**	22.9	29.8
C&R accounting policy adjustment		–	–	–	**–**	–	0.5
Net assets (Group share)	9c	27.0	0.3	(8.0)	**19.3**	22.9	30.3

	German portfolio	X-Leisure Limited	Others
Group interest			
At the start of the period	50%	50%	30-50%
Average during the period	50%	50%	30-50%
At the end of the period	50%	50%	50%

Notes to the condensed financial statements continued

10 Reconciliation of net cash from operations

	(Unaudited) Six months to 30 June 2010 £m	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Profit/(loss) on ordinary activities before financing	**22.3**	(128.2)	(105.1)
Adjusted for:			
Share of (profit)/loss in joint ventures and associates	**(16.5)**	123.6	106.8
Loss on revaluation of investment properties	**0.3**	4.1	2.8
Loss/(profit) on sale of properties and investments	**0.2**	(0.5)	(0.1)
Impairment of goodwill	**–**	1.0	1.6
Impairment of trading property	**(0.1)**	5.0	2.1
Depreciation of other fixed assets	**0.3**	0.3	0.4
Decrease in receivables	**1.1**	7.4	6.7
Decrease in payables	**(5.4)**	(11.8)	(10.3)
Non-cash movement relating to share based payments	**0.2**	0.2	0.3
Net cash generated from operations	**2.4**	1.1	5.2

11 Net assets per share

EPRA has issued recommended bases for the calculation of certain net assets per share information as shown in the following table:

	Net assets £m	**(Unaudited) 30 June 2010 Number of shares (m)**	**Net assets per share (£)**	(Unaudited) 30 June 2009 Net assets per share (£)	30 December 2009 Net assets per share (£)
Basic	**146.2**	**350.6**	**0.42**	0.35	0.37
Own shares held		**(2.2)**			
Fair value of fixed rate loans (net of tax)	**(1.6)**				
Triple net fully diluted net assets per share	**144.6**	**348.4**	**0.42**	0.35	0.37
Exclude fair value of fixed rate loans (net of tax)	**1.6**				
Exclude fair value of derivatives	**31.2**				
Exclude deferred tax on unrealised gains and capital allowances	**3.2**				
EPRA net assets per share	**180.6**	**348.4**	**0.52**	0.61	0.47

12 Return on equity

	(Unaudited) Six months to 30 June 2010 £m	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m
Total comprehensive income attributable to equity shareholders	**16.2**	(135.5)	(119.7)
Opening equity shareholders' funds	**129.8**	186.1	186.1
Return on equity	**12.5%**	(72.8)%	(64.3)%

13 Disposal – Manchester Arena Complex Limited Partnership

On 15 June 2010 the Group sold its wholly owned subsidiary Capital & Regional Manchester Arena (Jersey) Limited, which held the 30% joint venture interest in the Manchester Arena Complex Limited Partnership, the owner of the MEN Arena investment property. The Group's share of net assets at the date of disposal, 30 June 2009 and 30 December 2009 was as follows:

	Note	**(Unaudited) 15 June 2010 £m**	(Unaudited) 30 June 2009 £m	30 December 2009 £m
Investment property		**19.7**	15.4	19.0
Current assets		**1.0**	1.1	0.7
Bank balance and cash		**1.1**	1.0	1.6
Current liabilities		**(0.6)**	(2.4)	(2.2)
Non-current liabilities		**(15.3)**	(14.3)	(14.3)
Net assets	9c	**5.9**	0.8	4.8
Loss on disposal		**(0.2)**		
Total cash consideration		**5.7**		
Net inflow arising on disposal:				
Cash consideration		**5.7**		
Cash and cash equivalents disposed of		**(1.1)**		
		4.6		

14 Contingent liabilities

The Group no longer has any guarantee in respect of the MEN Arena joint venture following its sale during the period (December 2009: £0.1 million). There are no other contingent liabilities.

15 Events after the balance sheet date

Mall restructuring

On 21 July 2010, The Mall completed a restructuring of its borrowing arrangements. Unitholders agreed to an extension of the life of the fund from June 2012 to June 2017, while bondholders agreed to an extension of the maturity of the Secured Floating Rate Notes (the "Notes") from April 2014 to April 2017. The Intercompany Loan from the funding entity to The Mall Limited Partnership, which represents the effective maturity of the borrowing from the fund's perspective, was also extended from April 2012 to April 2015.

The key elements of the transaction were:

- an increase in the margin payable on the Notes from 0.18% to 0.68% with effect from April 2011;
- mandatory amortisation of the Intercompany Loan to £800 million by December 2012 and £600 million by December 2014;
- the introduction of an 83% LTV covenant from December 2011, reducing in stages to 65% in December 2014;
- a suspension of the current release price mechanism until LTV is below 60% and debt less than £600 million, which will allow the sale of properties where the proceeds would be below the historically determined release price; and
- the restriction of distributions until LTV is below 60% and debt less than £600 million.

A contribution of £155.0 million was also made from the fund's cash reserves, with £50.0 million used to repay existing debt, £85.0 million set aside for leasing incentives, capital expenditure and working capital requirements, and the balance covering the costs of the transaction, including swap breakage costs and consent solicitation fees.

On 22 July 2010, £69.8 million of the proceeds from the sale of The Mall's Ilford property in June 2010 and the £50.0 million payment mentioned above were used to redeem the same amount of the Notes.

Property disposals

The restructuring on The Mall met one of the conditions for the exchange of contracts for the sale of the fund's shopping centres at Falkirk, Gloucester, Romford and Southampton but the transaction has not yet gone fully unconditional. The sale is for a total of £136.0 million at a net initial yield of 7.5%, which was above the pre-exchange valuation.

On 30 July 2010, the X-Leisure fund conditionally exchanged on the sale of its Fiveways, Birmingham property for £27.0 million at a net initial yield of 9.0%. The property was valued at this amount at 30 June 2010.

Notes to the condensed financial statements continued

15 Events after the balance sheet date continued

Fund valuation

As at 31 July 2010, the property valuation of the X-Leisure fund (excluding adjustments for tenant incentives and head leases) was £546.4 million. This gave a unit price of 29.7p, meaning the value of the Group's units excluding interest rate swap mark-to-market valuations was £27.3 million compared to £27.1 million at 30 June 2010.

Acquisition

On 10 August 2010, the Group completed the acquisition of a 30.06% holding in Garigal Asset Management GmbH ("GAM"). The purchase price was €1 but as part of the transaction the asset and property management contract for the Group's German joint venture, which was previously with CRPM and two third parties, will be fully transferred to GAM by 30 June 2011.

Mall fee basis

With effect from 21 July 2010, the fee basis earned by CRPM for asset and property management on The Mall changed from a percentage of property under management to a fixed fee of £4.5 million per annum. 25% of this fee is subject to reduction on a sliding scale from 100% to 75% if the valuation of the properties in the fund falls to between £850 million and £600 million.

The calculation of performance fees on The Mall has also changed so that they are no longer calculated on a rolling three-year basis but will instead be payable at the end of the life of the fund or an exit event such as the sale of all the interests in the fund. Payment will be based on property level outperformance relative to the IPD Shopping Centre Index (taking the 30 June 2010 valuation as the start point) of more than 50 basis points provided that the fund level return is greater than zero. CRPM will earn fees as follows:

- between 50 basis points and 150 basis points: 10% of the outperformance proceeds;
- between 150 basis points and 300 basis points of outperformance: 15% of the outperformance proceeds; and
- over 300 basis points of outperformance: no additional fee to ensure excessive risks are not taken.

The provisions in the management agreements relating to removal for underperformance, which currently apply with effect from 31 December 2012, have also been amended such that the fund will only have the right to remove CRPM as managers in the event of underperformance of at least 100 basis points below the IPD Shopping Centre Index over the period ending 31 December 2014. The right of the fund to remove CRPM if there was a change of control of Capital & Regional plc has also been removed, as has the requirement for the Group to obtain the fund's approval prior to acquiring another shopping centre.

Tax rate

On 27 July 2010, the UK corporation tax rate was reduced by 1% to 27% with effect from 1 April 2011. The impact of this reduction on the Group's deferred tax balances is not expected to be material.

16 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates, all of which occurred at normal market rates, were as follows:

	Interest receivable from related parties			Amounts owed (to)/by related parties		
Capital & Regional plc and subsidiaries	**(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m	**(Unaudited) 30 June 2010 £m**	(Unaudited) 30 June 2009 £m	30 December 2009 £m
Associates						
The Mall LP	**–**	–	–	**(0.3)**	(0.8)	(1.7)
The Junction LP	**–**	–	–	**(0.1)**	(0.4)	(0.1)
X-Leisure LP	**–**	–	–	**(0.2)**	(0.6)	(0.2)
Joint ventures						
Xscape Braehead Partnership	**0.3**	0.3	0.6	**9.8**	8.3	8.6
German portfolio entities:						
Capital & Regional (Europe LP) Limited	**0.1**	0.1	0.1	**2.8**	3.0	3.1
Capital & Regional (Europe LP 2) Limited	**–**	–	0.1	**1.5**	1.6	1.7
Capital & Regional (Europe LP 3) Limited	**0.1**	0.2	0.3	**7.1**	7.4	7.9
Capital & Regional (Europe LP 5) Limited	**–**	–	–	**0.6**	0.7	0.7
Capital & Regional (Europe LP 6) Limited	**–**	–	0.1	**1.7**	1.7	1.8

16 Related party transactions continued

Capital & Regional plc and subsidiaries	Distributions from related parties **(Unaudited) 30 June 2010 £m**	(Unaudited) 30 June 2009 £m	30 December 2009 £m
Associates			
The Mall LP	–	6.7	6.7
X-Leisure LP	**0.3**	–	–
Joint ventures			
The Auchinlea Partnership	–	0.1	0.1
German portfolio entities:			
Capital & Regional (Europe LP) Limited	**0.5**	–	0.2
Capital & Regional (Europe LP 3) Limited	**0.7**	–	0.4
Capital & Regional (Europe LP 5) Limited	**0.2**	–	–

Capital & Regional Property Management Limited	Management fees receivable from related parties **(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m	Amounts owed by related parties **(Unaudited) 30 June 2010 £m**	(Unaudited) 30 June 2009 £m	30 December 2009 £m
Associates						
The Mall LP	**4.7**	4.8	9.5	**0.5**	0.8	0.6
The Junction LP	**0.7**	1.5	2.1	**0.1**	0.3	–
X-Leisure LP	–	2.6	2.8	–	0.6	–
The FIX UK LP	–	0.1	0.2	–	–	–
Joint ventures						
German portfolio	**0.2**	0.2	0.4	–	–	–
X-Leisure Limited	–	–	–	–	–	0.3
Manchester Arena Complex LP	–	–	–	–	–	0.2
Xscape Braehead Partnership	**0.1**	0.1	0.1	**0.1**	0.1	–

SNO!zone Limited and SNO!zone (Braehead) Limited	Rents payable to related parties **(Unaudited) Six months to 30 June 2010 £m**	(Unaudited) Six months to 30 June 2009 £m	Year to 30 December 2009 £m	Amounts owed to related parties **(Unaudited) 30 June 2010 £m**	(Unaudited) 30 June 2009 £m	30 December 2009 £m
Associates						
Xscape Milton Keynes Partnership	**0.3**	0.3	0.7	–	–	–
Xscape Castleford Partnership	**0.4**	0.4	0.7	–	–	–
Joint ventures						
Xscape Braehead Partnership	**0.2**	0.4	0.7	–	(2.1)	(2.1)

All rents payable by SNO!zone companies are due to the relevant Xscape Partnerships, which in the case of SNO!zone Limited (operator of the ski slopes at Milton Keynes and Castleford) are wholly owned by X-Leisure LP.

During 2010 the Group has purchased IT and communication equipment from Sage plc, on normal commercial terms. Paul Stobart is a director of Sage plc.

Portfolio information

Portfolio under management at fair value*

	30 June 2010 £m	30 June 2009 £m	30 December 2009 £m
Investment and trading properties†	**82**	81	84
Associates	**2,261**	2,469	2,408
Joint ventures	**525**	612	648
Other	**71**	–	–
Total	**2,939**	3,162	3,140

* Excluding adjustments for tenant incentives and head leases treated as finance leases
† Trading properties are shown at the lower of cost and net realisable value

Other represents The Mall's Ilford shopping centre, which was sold by the fund in June 2010 but which is still managed by CRPM on a short-term contract, though the Group aims to extend this into a longer term arrangement. The property was not valued at 30 June 2010 so is shown at its sale price.

Fund portfolio information (100% figures)

As at 30 June 2010

	The Mall	The Junction	X-Leisure	German Portfolio
Physical data				
Number of core properties	16	8	17	48
Number of lettable units	1,887	150	327	191
Lettable space (sq ft – '000s)	6,354	2,316	3,257	4,988
Valuation data				
Properties at independent valuation (£m)	1,168	547	546	475
Adjustments for head leases and tenant incentives (£m)	76	(16)	(6)	–
Properties as shown in the condensed financial statements (£m)	1,244	531	540	475
Revaluation in the period (£m)	34	22	60	(3)
Net initial yield (%)	7.00%	5.98%	7.08%	6.82%
Nominal equivalent yield (%)	8.51%	7.05%	8.05%	n/a
Geared return (%)	15.62%	12.64%	37.70%	(0.32)%
Property level return (%)	7.13%	8.16%	15.02%	0.40%
Reversionary (%)	22.2%	5.9%	1.2%	n/a
Loan to value ratio (%)	74.3%	62.0%	59.0%	81.8%
Lease length (years)				
Average lease length to break	9.76	12.06	14.67	6.70
Average lease length to expiry	9.97	12.55	15.79	6.70
Passing rent (£m) of leases expiring in:				
2010	4.63	0.14	0.95	0.73
2011	7.54	0.03	0.26	1.10
2012-2014	22.76	3.96	0.93	14.99
ERV of leases expiring in:				
2010	7.32	0.33	0.97	n/a
2011	9.54	1.19	0.37	n/a
2012-2014	24.93	4.33	1.11	n/a
Passing rent subject to review in:				
2010	9.06	6.02	5.73	n/a
2011	14.23	3.57	10.18	n/a
2012-2014	21.58	14.91	22.28	n/a
ERV of passing rent subject to review in:				
2010	8.49	6.16	5.73	n/a
2011	13.29	3.55	10.27	n/a
2012-2014	21.83	15.11	23.00	n/a
Rental data				
Passing rent (£m)	109.5	33.8	42.8	38.8
Estimated rental value (£m per annum)	130.4	39.6	46.3	n/a
Rental increase (ERV) (%)	(3.93)%	(4.09)%	0.36%	n/a
Vacancy rate (%)	6.04%	5.39%	5.80%	1.52%
Like for like net rental income under UK GAAP (100%)				
Current year net rental income (£m)				
Properties owned throughout 2009/2010	43.9	16.0	18.4	19.4
Disposals	4.6	1.1	0.5	0.2
Total net rental income	**48.5**	**17.1**	**18.9**	**19.6**
Prior year net rental income (£m)				
Properties owned throughout 2009/2010	41.0	17.3	18.1	19.4
Disposals	11.2	6.0	2.9	0.3
Total net rental income	**52.2**	**23.3**	**21.0**	**19.7**
Other data				
Unit price (£1.00 at inception)	£0.3307	£0.3696	£0.2954	n/a
Group share	16.72%	13.29%	11.93%	48.83%

Glossary of terms

Capital Raising is the Company's firm placing and open offer for new equity of £69.2 million (gross) on 10 September 2009.

Contribution is the Group's share of net rent less net interest arising from its joint ventures, associates and wholly owned entities, including unhedged foreign exchange movements.

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns the management and performance fees arising from certain of the Group's associates and joint ventures.

EPRA net assets per share includes the effect of those shares potentially issuable under employee share options and excludes own shares held. Any unrealised gains and capital allowances deferred tax provisions, surplus on the fair value of borrowings net of tax and surplus on the fair value of trading properties are added back.

EPRA earnings per share (EPS) is the profit/(loss) after tax excluding gains on asset disposals and revaluations and their related tax, movements in the fair value of financial instruments, intangible asset movements and the capital allowance effects of IAS 12 "Income Taxes" where applicable, less tax arising on these items, divided by the weighted average number of shares in issue during the year excluding own shares held.

Estimated rental value (ERV) is the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a unit or property.

ERV growth is the total growth in ERV on properties owned throughout the year including growth due to development.

Gearing is the Group's net debt as a percentage of net assets. See-through gearing includes the Group's share of non-recourse net debt in associates and joint ventures.

IPD is Independent Property Databank Limited, a company that produces an independent benchmark of property returns.

Like for like figures exclude the impact of property purchases and sales on year to year comparatives.

Loan to value (LTV) is the ratio of net debt (excluding fair value adjustments for debt and derivatives) to the aggregate value of properties (including trading properties).

Market value is an opinion of the best price at which the sale of an interest in a property would complete unconditionally for cash consideration on the date of valuation as determined by the Group's external or internal valuers. In accordance with usual practice, valuations are reported net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

Net assets per share are shareholders' funds divided by the number of shares held by shareholders at the period end, excluding own shares held.

Net initial yield (NIY) is the annualised net rent generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties.

Net interest is the Group's share, on a see-through basis, of the interest payable less interest receivable of the Group and its associates and joint ventures.

Net rent is the Group's share, on a see-through basis, of the rental income, less property and management costs (excluding performance fees) of the Group and its associates and joint ventures.

Nominal equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the Group's external valuers) assume rent received annually in arrears on gross values including the prospective purchaser's costs.

Passing rent is gross contracted rent including any car park operating profit but excluding income from tenancies in rent-free periods, non-trading administrations and any assumed uplift from outstanding rent reviews.

Property under management (PUM) is the valuation of properties for which CRPM or X-Leisure Limited is the asset manager, plus the German portfolio.

Recurring pre-tax profit is Contribution plus management fees and SNO!zone income, less SNO!zone expenses and fixed management expenses.

Return on equity is the total return, including revaluation gains and losses, divided by opening equity plus time weighted additions to share capital, excluding share options exercised, less reductions in share capital.

Reversion is the estimated increase in rent at review where the gross rent is below the estimated rental value.

Reversionary percentage is the percentage by which the ERV exceeds the passing rent.

Reversionary yield is the anticipated yield, to which the initial yield will rise once the rent reaches the estimated rental value.

See-through balance sheet is the proforma proportionately consolidated balance sheet of the Group and its associates and joint ventures.

See-through income statement is the proforma proportionately consolidated income statement of the Group and its associates and joint ventures.

Temporary lettings are those lettings for less than one year.

Total return is the Group's total recognised income for the year as set out in the Statement of Comprehensive Income expressed as a percentage of opening equity shareholders' funds.

Triple net fully diluted net assets per share includes the dilutive effect of share options and adjusts all items to market value, including trading properties and fixed rate debt.

Vacancy rate is the ERV of vacant properties expressed as a percentage of the total ERV of the portfolio, excluding development properties.

Variable overhead includes discretionary bonuses and the cost of awards to employees made under the LTIP, Matching Share Agreement, COIP and SAYE schemes, which is spread over the performance period.

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2010 financial calendar

Interim management statement	11 November 2010
2010 annual results	March 2011

The condensed set of financial statements is available for download on the Company's website **www.capreg.com**

Forward-looking statements

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. They have been made by the directors in good faith based on the information available to them up to the time of their approval of this report and should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward looking information. 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this document. The Group does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Group should not be relied upon as a guide to future performance.

Designed and produced by 85FOUR

Printed in England by Cousin
Cousin is a carbon neutral company with ISO 14001 accreditation: it recycles all solvents used in the printing process, making any waste pH neutral, and also holds FSC status.

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