Capital & Regional

Capital & Regional plc
Interim Report 2000

Capital & Regional is a specialist property investment company, owning some of the most exciting and distinctive retail and leisure properties throughout the UK.

The current portfolio value is £980m of which over 80% is retail and leisure, totalling over seven million sq ft.

Capital & Regional's objective is to use its in-house expertise to create value for tenants and shareholders through the innovative and dynamic management of property assets.

Financial Highlights

- Pre-tax profit up 52% to £10.0m (June 1999: £6.6m).
- Net rental income up 27% to £27.6m (June 1999: £21.8m).
- Fully diluted net assets per share up to 378p (December 1999: 376p).
- Profit on revenue activities up to £5.8m (June 1999: £5.7m).
- Earnings per share increased to 9.8p (June 1999: 6.3p).
- Dividend per share increased to 2.25p (June 1999: 2.0p).

Operating Highlights

- New Board structure: Tom Chandos, Non-Executive Director appointed Chairman and Martin Barber becomes Chief Executive.
- Total property and investment disposals of £39m. A further £200m of sales planned, including the industrial portfolio.
- 1.3 million sq ft let or agreed on retail parks. Six ‘Big Box’ formats of over 100,000 sq ft now contracted. These complete in the second half and in 2001 when outstanding matters including planning revisions are concluded.
- During the first half, the in-town covered centre portfolio demonstrated an increase of 3% average weekly footfall. Retailers participating in the Capital & Regional Trade Index across seven centres showed a 5% rise in sales.
- The majority of retail and leisure operators are open at Xscape in Milton Keynes with tenants reporting excellent trade. Healthland Snozone, the ‘real snow’ ski slope expected to open by October.
- At proposed Xscape in Castleford, Yorkshire, agreements reached with anchor tenants, Cine-UK for a 16 screen multiplex cinema and Healthlands Snozone and health and fitness club. Signed conditional contract to purchase land.
- Terms agreed in principle with Healthland, for its Snozone and health and fitness club and Pathé, the French cinema operator, for Xscape in Castrop-Rauxel in the Ruhr, Germany. Options to purchase 35 acre development site signed.

Chairman's Statement

Board changes

Following the successful move to our new headquarters at the end of last year, the Board feels that it is the right time to refine the organisational changes with some further definition of Directors' roles and responsibilities.

After seven years as a Non-Executive Director, I am very pleased and proud to have been appointed Chairman. I look forward to leading the Board of Directors in overseeing the next phase of the Company's strategic development, building on the current excellent base for the benefit of our shareholders.

Martin Barber, previously Chairman, has assumed the title of Chief Executive and remains responsible for the overall running of the business, leading its strategic direction and ensuring its effective implementation. Xavier Pullen has become Deputy Chief Executive and will focus primarily on the supervision and co-ordination of all property matters.

The roles of the other Executive Directors remain essentially unchanged, with, in some cases, new titles to clarify externally their particular responsibilities:

Lynda Coral	Financial Director;
Roger Boyland	Corporate Finance Director;
Andrew Lewis-Pratt	Managing Director, Retail Parks and Xscape;
Kenneth Ford	Managing Director, In-town Covered Centres.

Results and financial position

In the six months to 24th June 2000, pre-tax profit increased by 52% to £10.0m (June 1999: £6.6m). Fully diluted net assets per share rose to 378p from 376p in December 1999.

Profits on revenue activities for the six months were up to £5.8m (June 1999: £5.7m) and net rental income has increased by 27% to £27.6m (June 1999: £21.8m). Earnings per share on revenue activities were up to 5.8p (June 1999: 5.4p). Earnings per share increased to 9.8p (June 1999: 6.3p). This includes an accounting profit of £3.9m on the disposal of CenterPoint Properties Trust shares. The realisation of £25m from this investment sale has produced a profit of £22m on a historical cost basis.

The Directors have resolved to pay an interim dividend of 2.25p (1999: 2.0p per share). This will be paid on 20th October 2000 to shareholders on the register at the close of business on 22nd September 2000. The level of the final dividend will be considered at the time of our year end results and will take account of, amongst other things, planned property disposals in the second half and the possible share buy-back programme. Our facility for dividend reinvestment by shareholders continues.

The Company's borrowings at 24th June 2000 were £595.2m against £603.0m at December 1999. Net cash balances were £0.7m (December 1999: £7.4m) and the Company had approximately £48.0m (December 1999: £21.5m) of undrawn secured facilities.

Fully diluted gearing at 134% is unchanged from December 1999. The weighted average interest rate cost at 24th June 2000 is 7.4% compared to 7.3% at the end of 1999. Rental income as a ratio to net interest payable including capitalised interest was 1.4 times.

As shown in note 12, adjusting the book value of the Company's debt to its fair value as at 24th June 2000 would have had a positive effect on net asset value of £0.5m compared to £1.5m at December 1999 and a negative effect of £2.4m at 24th June 1999.

Strategy and outlook

Capital & Regional will continue to focus its business in three areas, in-town covered centres, retail parks and the Xscape concept, in all of which we see outstanding long-term opportunities.

In the first half of the year, short-term factors have held back valuation growth in some areas of our portfolio. Although we have been very encouraged by the level of tenant demand for our in-town covered centres, the competitive and changing nature of the retail market has caused an upward movement in yields, reflecting investor nervousness. This has been exacerbated by a further increase in Stamp Duty during the period. However, Capital & Regional believes that going forward it will continue to improve rental income and rental values by playing to the strengths of our retail and leisure operators, and actively promoting our properties in an imaginative way.

Additional concerns about the possible impact of e-commerce on shopping habits appear to have been overplayed and it is our belief that developments in the Internet will work in our favour over time, particularly as retailers use e-tail to their advantage. Capital & Regional is actively working to develop ways to capture these benefits for our tenants, shoppers and ourselves.

Adverse investor sentiment also worked against us earlier this year, in our plans to establish a limited partnership fund, to invest in in-town covered centres. Nonetheless, we are convinced that joint ownership is attractive for investors to participate in this dynamic and management-intensive sector of the property investment market. We believe there is a strong rationale for a specialist UK in-town covered centre operator of scale, working closely with the new breed of successful retailers to create exciting and lively places to visit, shop and be entertained.

In our retail park portfolio, tenant demand remains strong and numerous initiatives are in place to create large retail warehouse units for quality anchor tenants. This effort resulted in some deliberate vacancies and delays before units are income producing from new tenants. While this has temporarily held back valuation increases in the first half, we regard this as an investment to generate significant future value growth.

We are extremely proud of our Xscape concept in Milton Keynes, which offers a unique and entirely new retail, leisure and entertainment complex. The majority of operators are open and it is already receiving an excellent response from the public and retailers. Therefore, we are pleased to be able to report that development land purchases and agreements in principle, with major anchor tenants at our proposed Xscape schemes in Castleford, Yorkshire and Castrop-Rauxel in the Ruhr, Germany have been signed.

We are actively pursuing discussions for the sale of our industrial property investment portfolio and other non-core assets totalling approximately £200m, to enable us to concentrate our resources on our core business of retail and leisure properties. The authority granted to us at the last Annual General Meeting will also enable us to purchase our own shares in the market for cancellation.

Taking all these matters together, the Board has confidence in producing a good performance for the second half and maintaining our above average growth for the future.

Tom Chandos

Viscount Chandos Chairman
12th September 2000

Chief Executive's Statement

Operating review

At 24th June 2000, the Company's investment portfolio had a value of £976m, compared to £933m at December 1999, primarily comprising ten in-town covered centres, twelve retail parks and Xscape in Milton Keynes, representing 4.7 million sq ft with 2.9 million sq ft of future developments.

There was an underlying valuation decrease in the first half of 0.4% overall. A fall in the value of the in-town covered centres of 1.7% was partially offset by small percentage increases in the value of the industrial portfolio and other properties.

The retail parks and Xscape showed no valuation movement in the first half; however, substantial capital growth is expected by the year end, as the effect of high letting activity to date is reflected.

It is worth noting that our portfolio is highly reversionary, with the estimated rental value being approximately £18m higher than the £62m rents passing as at 24th June 2000. Furthermore, capital expenditure on extensions and refurbishment of the retail park investment portfolio of approximately £45m to satisfy pre-lets would add additional rental value of £8m to passing rent.

Total property and investment disposals were £39m, with a further £200m of planned sales, including the industrial portfolio.

In-town centres

Our focus on the in-town covered centre sector continues to be the aggressive management and promotion of our properties and developing a partnership approach with tenants and local authorities, aimed at establishing our properties as a focus for the community. These efforts are geared towards increasing relevant footfall through the malls and hence turnover, which should underpin tenants' profitability and rental growth.

Despite what is generally regarded as a tough retail climate, the trading performance in our value orientated community mall portfolio has been good. Our centres are growing in popularity with estimated average weekly footfalls increasing by 3%. Over six months, retailers participating in the Capital & Regional Trade Index across seven centres showed a 5% rise in trade. Our vacancy level has reduced from 4.2% at the year end to 2.8%.

We continue to invest with our retail partners in the physical environment, marketing and promotion of our centres, to increase catchment awareness of the retail and leisure offer presented. During the period, capital expenditure was approximately £11m. Net rents increased by 2.9% and estimated rental value rose by 2.7%.

The increase in footfall, level of trade and both current and reversionary income coupled with low vacancy, is evidence of the success of the Capital & Regional management approach.

At The Pallasades, Birmingham, conceptual scheme design and negotiations continue with Railtrack on the comprehensive refurbishment and extension of both the centre and New Street Station. Six lettings totalling 12,000 sq ft were concluded in the first half of the year. New retailers Vodafone, Thomas Cook and Estilo Clothing were introduced to the centre. There is an increasing awareness of the pivotal 'gateway' status of The Pallasades and New Street Station to central Birmingham.

The refurbishment work at Shopping City, Wood Green, London, continued during the first half of the year with the new Wilkinson's store, the refurbished Market Hall and the reconfigured Boots stores all opening for trade. In addition, four lettings totalling 37,000 sq ft were concluded, introducing TK Maxx and HMV to the scheme. Both will be trading for Christmas 2000.

The 2,000 seat CineWorld multiplex cinema opened in August and the complementary family orientated restaurant offer should be trading by November. The completion of the final phase of the refurbishment programme is planned for Easter 2001. The rebranding and signage package is being progressively introduced and Shopping City has become a significant retail destination in North London.

At The Ashley Centre, Epsom, a planning application has been lodged to rebrand and re-sign the Centre which we hope will coincide with the introduction of a branded catering facility at West Square and also the introduction of Sunday trading in November. The Centre is substantially fully let and negotiations are underway with a multiple occupier to replace their fascias with new occupiers. The new Gap unit opened in February and trade is above expectations.

At The Howgate Centre in Falkirk, revitalisation of the Marks & Spencer's atrium was completed at Christmas and has resulted in increased footfall. MVC, First Sport, Cardwarehouse and the Bank of Scotland have been attracted to this area of the mall on improved rental terms.

Agreements have been exchanged at Selborne Walk, Walthamstow to introduce Boots to the Centre in a 8,000 sq ft unit, with further lettings to HMV and Thomas Cook in solicitors' hands. Poundland has opened a 10,000 sq ft store following the relocation of Mark One to a newly refitted unit. We continue to appraise the development options for the additional 45,000 sq ft leisure development for which we have achieved planning consent.

At The Trinity Centre, Aberdeen, the centre is fully let and we continue to demonstrate increased footfall, driving rental growth. We have negotiated surrender of one of the two sport shops in the Centre and simultaneously let the unit to Holland & Barrett at an improved rent. The new frontage canopy and branding has now been completed and we are investigating ways to extend the Centre to accommodate demand.

A planning application at The Sauchiehall Centre in Glasgow has been lodged for its refurbishment to create large Sauchiehall Street units for two pre-let occupiers. Vacant possession discussions continue and we hope to start work on site early next year.

We successfully concluded the purchase of the Co-op Living Department Store at The Alhambra Centre, Barnsley and simultaneously let the majority of the 64,500 sq ft unit to Primark and TK Maxx, both popular fashion retailers and new to Barnsley. They will be trading for Christmas 2000.

At Liberty 2 in Romford, the surrender of a substantial reverse premium was negotiated with Kwik Save, with a reletting of the space to Peacocks, a value fashion retailer relevant to our tenancy mix. The relocation of the atrium escalators is complete, with Café BB successfully introduced and trading from the created space. Negotiations continue with the Local Authorities and potential tenants for the redevelopment of the adjacent Dolphin Site.

Retail parks

Our retail park strategy is to focus on significant retail parks of over 150,000 sq ft in order to create value utilising our specialist and entrepreneurial skills. Plans are in progress to maximise opportunities arising from owning branded retail parks and initiatives will be announced prior to the year end.

Our close working relationship and knowledge of retailers in this sector is reaping rewards. During the first half we have seen excellent tenant demand with 1.3 million sq ft of units let or agreed on retail parks. Six 'Big Box' formats of over 100,000 sq ft are now contracted. These complete in the second half and 2001 when outstanding matters including planning revisions are resolved.

Our expertise in this sector has enabled us to secure some exciting development opportunities representing 1.4 million sq ft. In addition to the existing portfolio of 1.5 million sq ft, there are proposed extensions of 0.5 million sq ft, which will be achieved despite the Government's stringent planning guidance against out-of-town developments. We have disposed of, or propose to, all of our smaller retail parks and believe the core portfolio will produce excellent results.

During the first half, we have made acquisitions of approximately £17m. The full effect of letting activity and capital expenditure of approximately £4m will not be reflected in rents until the second half of the year.

Investment portfolio

At St Andrew's Quay, we have submitted a planning application to Hull City Council to develop the first two phases, including modernising existing retail units and constructing a new 100,000 sq ft B&Q depot. This programme of development is a key step in our plans to regenerate this 75 acre site. We are pleased to announce that the latest letting to Comet has achieved double the rent per sq ft compared to those on acquisition.

Further to lettings at Beckton Retail Park to Woolworth's Big W, Matalan and JJB Sports, upon obtaining further planning consent, we will commence refurbishment and redevelopment in early 2001. This 189,000 sq ft open A1 development will become one of the few larger, quality parks in London.

Planning consent has been obtained for the first phase of The Enterprise Retail Park in Swansea where we intend to develop a 165,000 sq ft open A1 retail park. Tenants include Woolworths Big W, Comet and Brantano, which has been let at £18 per sq ft compared to £6 per sq ft on purchase. It is anticipated that we will start on site in early 2001.

We are pleased to report that Westway Shopping Park Greenford is now 95% let, including new tenants Sports Soccer and Brantano. Boots has taken an additional 34,000 sq ft unit to open one of its first Body 360º health clubs.

At Renfrew Retail Park, Glasgow, our latest letting to Land of Leather at nearly £18 per sq ft sets a new market rent for the park.

Development portfolio

Since the year end, we have progressed our 600,000 sq ft retail and leisure development in Oldbury. Planning consent has already been achieved for approximately 280,000 sq ft of retail, leisure and restaurants for Phase I. We have enlarged the site by acquisitions to approximately 40 acres and anticipate obtaining planning consent for the second phase of 320,000 sq ft in the second half. Pre-lettings have already been exchanged for 230,000 sq ft to AMC, for a multiplex cinema, and Homebase, together with a further 160,000 sq ft in solicitors' hands.

At Auchinlea, Glasgow (Junction 10), planning consent has been obtained for an open A1 retail and leisure development of 500,000 sq ft subject to confirmation from the Scottish Executive. This will allow us to develop one of the most significant retail and leisure schemes of its kind in the UK.

Xscape

Xscape is an entirely new concept in total 'brand' development for leisure and retail complexes. It offers the consumer the variety and excitement of a theme park with the convenience of a shopping centre. Capital & Regional plans initially to develop this concept within the UK and Europe.

At Xscape in Milton Keynes, our £64m joint venture with PRICOA Property Investment Management, the majority of retail and leisure operators have opened and are reporting excellent trade. The ultimate in entertainment, Xscape will feature Healthland Snozone, Europe's largest indoor 'real snow' ski slope which will open by October, a 16 screen CINEWORLD multiplex cinema, 'City Limits' Entertainment Centre, which includes 24 ten-pin bowling lanes, a Healthands Fitness Centre, a number of bars, restaurants and cafes, indoor rock climbing and a range of unique urban and lifestyle retailers. The current committed income is £4m, with a further £650,000 in solicitors' hands, and is estimated to increase to £5.8m when fully let.

A new and growing feature of the retail market are these lifestyle brands: we have maximised their potential in this development. Based on the already excellent footfall since opening, we estimate that over six million people will visit Xscape in the first year alone.

In February, we announced our plans to develop two further Xscape centres in Castleford, in the Borough of Wakefield, Yorkshire and Castrop-Rauxel in the Ruhr, Germany. At Castleford, we have entered into an agreement to develop this 400,000 sq ft scheme with a similar format to Milton Keynes. We are pleased to announce that conditional contracts to purchase the land have been signed. Terms have also been agreed with Cine-UK for a 16 screen mulitplex cinema and Healthland has confirmed that they will operate the Snozone and the health and fitness club. A number of tenants from Milton Keynes have also confirmed interest in representation in Castleford. The scheme will be situated alongside Freeport plc's factory outlet village on the M62 and plans are to open in late 2002.

At Castrop-Rauxel, the Xscape development will extend the Milton Keynes concept to include a hotel and further entertainment facilities up to a maximum potential development area of 900,000 sq ft. Options to purchase the 35 acre development site have been signed. A first phase of 600,000 sq ft is proposed and French cinema operator Pathé has entered into an in principle agreement to occupy the 5,000 seat cinema. Heathland has again confirmed interest to operate the Snozone and fitness club. A planning application has been submitted with a decision anticipated mid 2001.

Martin Barber

Martin Barber Chief Executive
12th September 2000

Consolidated Profit and Loss Account

	Notes	(Unaudited) 6 months to 24th June 2000 £000	(Unaudited) 6 months to 24th June 1999 £000	(Audited) Year to 25th December 1999 £000
Turnover: group rental income and share of joint ventures' turnover		34,357	27,190	60,211
Less share of joint ventures' turnover		(1,866)	(1,662)	(6,614)
Group rental income		32,491	25,528	53,597
Net property costs		(4,877)	(3,716)	(8,085)
Net rental income		27,614	21,812	45,512
Profit on the sale of trading and development properties	4	1,006	910	1,646
		28,620	22,722	47,158
Administrative expenses		(3,520)	(3,097)	(7,163)
		25,100	19,625	39,995
Other operating income		577	468	955
Group operating profit		25,677	20,093	40,950
Share of operating (loss)/profit in joint ventures and associates		(396)	18	694
		25,281	20,111	41,644
Income from listed investments		659	649	1,337
Interest receivable and similar income		453	308	719
Interest payable and similar charges	5	(20,577)	(15,366)	(33,005)
Profit on revenue activities		5,816	5,702	10,695
Profit on sale of investment properties	4	274	893	1,284
Profit on sale of investment	6	3,922	–	859
Profit on ordinary activities before taxation		10,012	6,595	12,838
Taxation	7	(273)	(149)	(409)
Profit on ordinary activities after taxation		9,739	6,446	12,429
Equity minority interests		(115)	(222)	(426)
Profit attributable to the shareholders of the Company		9,624	6,224	12,003
Equity dividends paid and payable		(2,211)	(1,965)	(4,913)
Profit retained in the period		7,413	4,259	7,090
Earnings per share	8	9.8p	6.3p	12.2p
Earnings per share – diluted	8	9.5p	6.3p	12.2p
Earnings per share on revenue activities	8	5.8p	5.4p	10.2p

The notes on pages 12 to 15 form part of these financial statements.

Consolidated Balance Sheet

	Notes	(Unaudited) As at 24th June 2000 £000	(Unaudited) As at 24th June 1999 £000	(Audited) As at 25th December 1999 £000
Fixed assets				
Property assets	9	976,477	756,549	933,140
Other fixed assets		14,139	779	14,073
		990,616	757,328	947,213
Other investments		–	23,877	21,120
Investment in joint ventures				
Share of gross assets		9,168	6,090	8,650
Share of gross liabilities		(7,373)	(4,356)	(6,428)
		1,795	1,734	2,222
Investment in associates		–	5	5
		992,411	782,944	970,560
Current assets				
Property assets	9	30,191	38,420	34,660
Debtors:				
amounts falling due after more than one year		–	3,804	4,840
amounts falling due within one year		35,848	17,716	40,389
Cash at bank and in hand		744	6,404	7,388
		66,783	66,344	87,277
Creditors: amounts falling due within one year		(65,570)	(38,935)	(58,178)
Net current assets		1,213	27,409	29,099
Total assets less current liabilities		993,624	810,353	999,659
Creditors: amounts falling due after more than one year (including convertible unsecured loan stock)		(590,920)	(443,559)	(598,752)
Net assets		402,704	366,794	400,907
Capital and reserves				
Called up share capital		9,827	9,826	9,827
Share premium account		161,876	161,863	161,876
Revaluation reserve		162,462	154,197	184,836
Other reserves		591	591	591
Profit and loss account		58,922	33,227	35,436
Equity shareholders' funds		393,678	359,704	392,566
Equity minority interests		5,026	3,090	4,341
Non-equity funding by joint arrangement partners		4,000	4,000	4,000
Capital employed		402,704	366,794	400,907
Net assets per share adjusted for minority interests and non-equity funding	10	400.6p	366.1p	399.5p
Net assets per share adjusted for minority interests and non-equity funding – diluted	10	377.5p	346.7p	376.4p

The notes on pages 12 to 15 form part of these financial statements.

Statement of Total Recognised Gains and Losses

	(Unaudited) 6 months to 24th June 2000 £000	(Unaudited) 6 months to 24th June 1999 £000	(Audited) Year to 25th December 1999 £000
Share of unrealised (deficit)/surplus on valuation of investment properties	(4,247)	22,752	54,520
Share of unrealised surplus/(deficit) on valuation of other fixed assets	73	–	(596)
Share of unrealised surplus on valuation of properties in joint ventures	–	–	46
Revaluation surplus on other investments	–	1,877	675
Tax on revaluation surpluses realised in period	(2,130)	–	–
Exchange differences	3	–	1
	(6,301)	24,629	54,646
Profit attributable to the shareholders of the Company	9,624	6,224	12,003
Total recognised gains and losses relating to the period	3,323	30,853	66,649

Reconciliation of Movements in Shareholders' Funds

	(Unaudited) 6 months to 24th June 2000 £000	(Unaudited) 6 months to 24th June 1999 £000	(Audited) Year to 25th December 1999 £000
Profit attributable to shareholders of the Company	9,624	6,224	12,003
Equity dividends paid and payable	(2,211)	(1,965)	(4,913)
Profit retained in the period	7,413	4,259	7,090
Share capital and share premium issued in period (net of expenses)	–	–	14
Other recognised gains and losses relating to the period (see above)	(6,301)	24,629	54,646
Net addition to shareholders' funds	1,112	28,888	61,750
Opening shareholders' funds	392,566	330,816	330,816
Closing shareholders' funds	393,678	359,704	392,566

The notes on pages 12 to 15 form part of these financial statements.

Summary Cash Flow Statement

	Notes	(Unaudited) 6 months to 24th June 2000 £000	(Unaudited) 6 months to 24th June 1999 £000	(Audited) Year to 25th December 1999 £000
Net cash inflow from operating activities	11	29,857	25,536	42,269
Dividends received from joint ventures		–	300	300
Dividends received from associates		5	714	714
Returns on investments and servicing of finance		(20,563)	(14,393)	(30,928)
		9,299	12,157	12,355
Taxation		–	(2)	112
Net operating cash flow		9,299	12,155	12,467
Capital expenditure and financial investment		(5,252)	(85,371)	(241,352)
		4,047	(73,216)	(228,885)
Equity dividends paid		(2,948)	(4,176)	(6,141)
Cash inflow/(outflow) before financing		1,099	(77,392)	(235,026)
Financing		(7,858)	78,319	236,938
(Decrease)/increase in cash in the period		(6,759)	927	1,912

	(Unaudited) 6 months to 24th June 2000 £000	(Unaudited) 6 months to 24th June 1999 £000	(Audited) Year to 25th December 1999 £000
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period	(6,759)	927	1,912
Cash outflow/(inflow) from debt financing	7,858	(78,319)	(236,924)
Change in net debt resulting from cash flows	1,099	(77,392)	(235,012)
Net debt at beginning of period	(595,603)	(360,591)	(360,591)
Net debt at end of period	(594,504)	(437,983)	(595,603)

	(Unaudited) 6 months to 24th June 2000 £000	(Unaudited) 6 months to 24th June 1999 £000	(Audited) Year to 25th December 1999 £000
Analysis of net debt			
Cash in hand and at bank	744	6,404	7,388
Bank overdrafts	(115)	–	–
	629	6,404	7,388
Debt due within one year	(3,340)	–	(3,521)
Debt due after one year	(591,793)	(444,387)	(599,470)
	(594,504)	(437,983)	(595,603)

The notes on pages 12 to 15 form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

The financial information included in the Interim Report comprises consolidated profit and loss account and balance sheet, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds and summary cash flow statement. These have been prepared in accordance with the normal accounting policies of the Group, and do not constitute statutory accounts.

2. Financial information and presentation

The financial information for the year to 25th December 1999 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It is extracted from the statutory accounts for that year, on which the auditors Deloitte & Touche gave an unqualified report under Section 236 of the Companies Act 1985 which did not contain a statement under Section 237(2) or Section 237(4) of the Companies Act 1985. Statutory accounts for the year ended 25th December 1999 have been delivered to the Registrar of Companies. The financial information for the six months to 24th June 2000 is unaudited and has not been reviewed by the Group's auditors.

3. Segmental analysis

Turnover, profit on ordinary activities before taxation and net assets are attributable to property investment, development and management. Turnover, profit on ordinary activities before taxation and operations arise in the UK except £659,000 (1999: £587,000) of income from listed investments which originates from the US. Net assets adjusted for minority interests originating from the US are nil (1999: £22,029,000).

4. Property sales

	Fixed property assets		Current property assets	
	(Unaudited) 6 months ended 24th June 2000 £000	(Unaudited) 6 months ended 24th June 1999 £000	(Unaudited) 6 months ended 24th June 2000 £000	(Unaudited) 6 months ended 24th June 1999 £000
Net sale proceeds	1,246	15,523	12,178	12,347
Cost of sales	(983)	(12,644)	(11,172)	(11,437)
Historical cost profit	263	2,879	1,006	910
Revaluation surplus	(78)	(1,986)	–	–
Profit recognised on sale of properties	185	893	1,006	910
Share of joint ventures	89	–	–	–
Profit recognised on sale of properties	274	893	1,006	910

5. Interest payable and similar charges

	(Unaudited) 6 months to 24th June 2000 £000	(Unaudited) 6 months to 24th June 1999 £000	(Audited) Year to 25th December 1999 £000
Bank loans and overdrafts wholly repayable within five years	21,540	15,092	32,998
Other loans	868	876	1,757
	22,408	15,968	34,755
Capitalised in period	(1,947)	(732)	(2,033)
	20,461	15,236	32,722
Share of joint ventures interest payable	116	98	251
Share of associates interest payable	–	32	32
	20,577	15,366	33,005

6. Profit on sale of investment

The investment in the shares held in CenterPoint Properties Trust were sold during the period:

	(Unaudited) 6 months to 24th June 2000 £000
Net sale proceeds	25,042
Historical cost	(3,021)
Historical cost profit	22,021
Revaluation surplus	(18,099)
Profit recognised on sale of investment	3,922

7. Taxation

The taxation charge for the period has been estimated from the expected taxable profits of the Group after taking account of losses brought forward and capital allowances available.

8. Earnings per share

Earnings per share have been calculated on a weighted average of 98,265,697 Ordinary shares of 10p each in issue during the period (six months to 24th June 1999: 98,255,271, year to 25th December 1999: 98,258,784) and have been based on profit on ordinary activities after taxation and minority interests of £9,624,000 (six months to 24th June 1999: £6,224,000, year to 25th December 1999: £12,003,000).

Diluted earnings per share have been calculated after allowing for the exercise of share options which have met the required exercise conditions and the full conversion of the Convertible Unsecured Loan Stock, if the effect on earnings per share is dilutive. The weighted average number of Ordinary shares of 10p each is 110,943,812 (six months to 24th June 1999: 98,546,290, year to 25th December 1999: 98,611,343) and the relevant earnings are £10,492,000 (six months to 24th June 1999: £6,224,000, year to 25th December 1999: £12,003,000).

Earnings per share on revenue activities exclude the profit on the sale of investment properties and investments, and associated tax charge and minority interests thereon, of £3,924,000 (six months to 24th June 1999: £890,000, year to 25th December 1999: £1,973,000).

9. Property assets

	Investment properties £000	Properties under construction £000	Total fixed property assets £000	Current property assets £000
Cost or valuation				
As at 25th December 1999	903,617	29,523	933,140	34,660
Acquisitions	22,227	–	22,227	1,475
Refurbishment and development	10,009	15,689	25,698	5,756
Disposals	(951)	–	(951)	(11,700)
Revaluation	(3,873)	236	(3,637)	–
As at 24th June 2000	931,029	45,448	976,477	30,191

The fixed property assets were valued at 24th June 2000, as follows:

Valuer	Basis of valuation	£000
DTZ Debenham Tie Leung	Open market value	810,710
	Open market value – properties under construction*	37,528
Insignia Richard Ellis Limited	Open market value	118,695
	Open market value – properties under construction	1,530
Directors	Open market value	220
Directors	Net sale proceeds of properties sold after 24th June 2000	260
Directors	Cost	1,144
Directors	Cost – properties under construction	6,390
		976,477

Valuations are at open market value as defined in the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

*The figure stated reflects the Group's effective interest in properties under construction.

10. Net assets per share

Net assets per share have been calculated on 98,265,697 Ordinary shares of 10p each (24th June 1999: 98,255,271, 25th December 1999: 98,265,697) in issue at 24th June 2000 and have been based on net assets attributable to shareholders of £393,678,000 (24th June 1999: £359,704,000, 25th December 1999: £392,566,000).

Diluted net assets per share assumes that all of the Convertible Unsecured Loan Stock ("CULS") had been converted at the balance sheet date. Diluted net assets per share have been calculated on 110,667,868 Ordinary shares of 10p each and have been based on adjusted net assets attributable to shareholders of £417,764,000 (24th June 1999: £383,699,000, 25th December 1999: £416,607,000) by adding the £24,086,000 (24th June 1999: £23,995,000, 25th December 1999: £24,041,000) balance sheet value of the CULS.

11. Reconciliation of net cash inflow from operating activities

	(Unaudited) 6 months to 24th June 2000 £000	(Unaudited) 6 months to 24th June 1999 £000	(Audited) Year to 25th December 1999 £000
Group operating profit	25,677	20,093	40,950
Profit on the sale of trading and development properties	(1,006)	(910)	(1,646)
	24,671	19,183	39,304
Depreciation	334	222	479
(Profit)/loss on disposal of fixed assets	(14)	3	92
Decrease/(increase) in trade debtors, other debtors and prepayments	1,487	97	(6,183)
Increase in trade creditors, other creditors, taxation and social security and accruals	3,379	6,031	8,577
Net cash flow from operating activities	29,857	25,536	42,269

12. Debt valuation

The table below shows the market value of fixed rate debt instruments, and reflects the difference between the interest yield curve as at 24th June 2000 and the rates historically committed; namely the fair value adjustment.

	(Unaudited) As at 24th June 2000 £000	(Unaudited) As at 24th June 1999 £000	(Audited) As at 25th December 1999 £000
Book value and notional principal	261,891	294,853	272,391
Fair value	261,390	297,365	270,921
Fair value adjustment	501	(2,512)	1,470
Minority interests	41	94	19
Fair value adjustment attributable to the Group	542	(2,418)	1,489
Net of tax at 30%	379	(1,693)	1,042
Effect on fully diluted net asset per share adjusted for minority interests and non-equity funding	0.3p	(1.5)p	0.9p

2000 Interim Dividend Timetable

Record date – 22nd September
Last day to receive mandates – 6th October
Dividend warrants/tax vouchers posted – 19th October
Dividend payment date/shares purchased – 20th October
Certificates/purchase statements despatched – 2nd November
CREST accounts credited – 3rd November

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