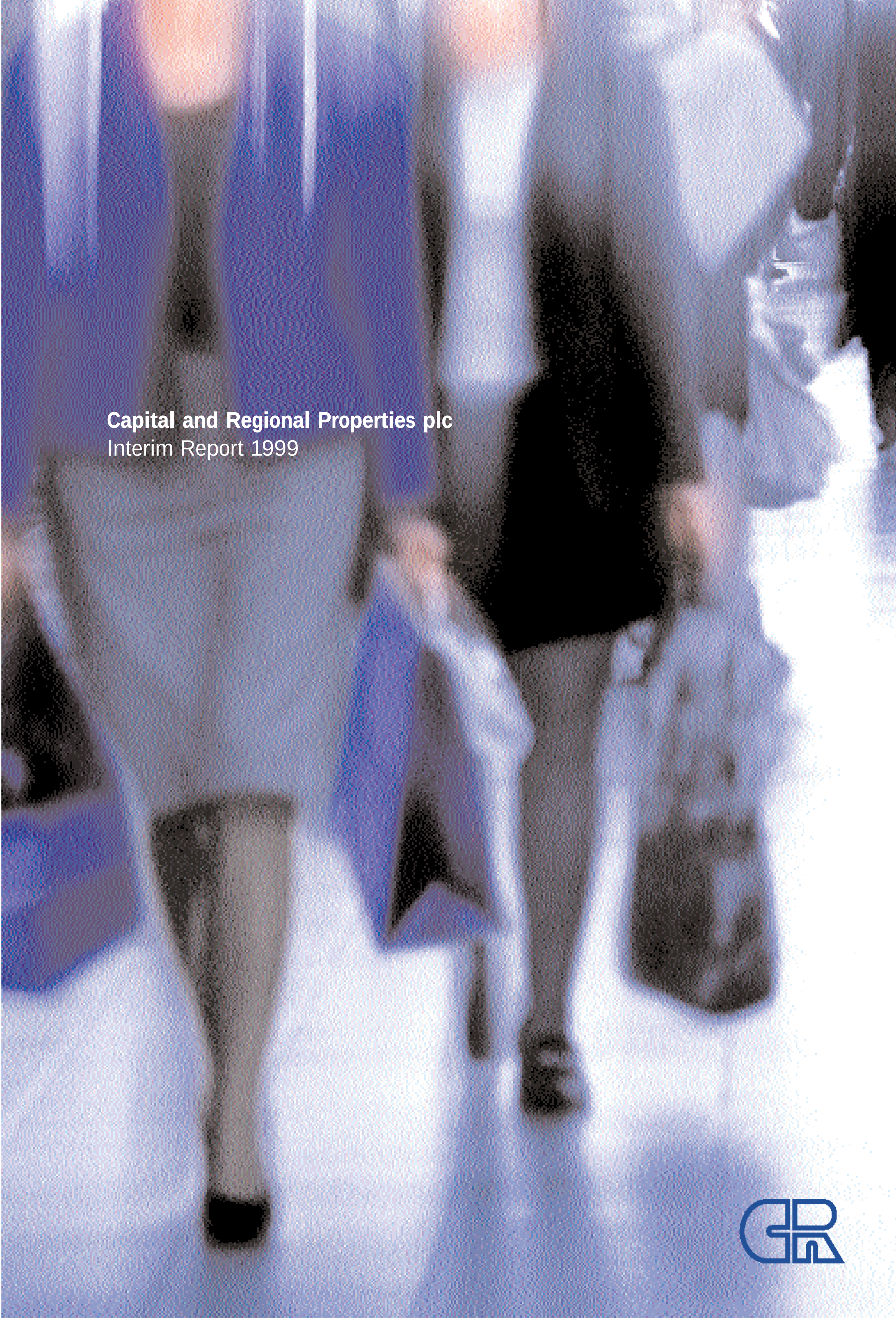
Capital and Regional Properties plc
Interim Report 1999



Capital and Regional Properties 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 almost £800m of which around 90% is retail and leisure, totalling over four million sq ft.

Capital and 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.

Highlights

- Fully diluted net assets per share increased by 8% over six months to 347p (December 1998: 321p) compared to 7% in the same period last year
- Over twelve months the net assets per share increased by 20% (June 1998: 290p)
- Net rental income up 43% to £21.8m (1998: £15.2m)
- Profit on revenue activities up 58% to £5.7m (1998: £3.6m)
- Earnings per share on revenue activities up 35% to 5.4p (1998: 4.0p)
- Dividend per share up 33% to 2.0p (1998: 1.5p)
- On a same store basis, that is property we owned at December 1998 through to June 1999, capital growth of 2.2% was achieved in six months, compared to 1.4% IPD's Monthly Index of Capital Value for All Property November 1998 to May 1999
- Total trading and investment property acquisitions of £93.7m and disposals of £27.9m. Refurbishment and development costs of £24.5m
- Acquisition of Westway Cross Shopping Park, Greenford in February for £33m. Recent major letting to Next, supporting our view that this will become a leading fashion park
- Unveiled re-branding of £60m Xscape, formerly Sports Village, retail and entertainment destination in Milton Keynes. Progressing selective roll-out of Xscape concept in Europe
- Entered into a conditional agreement with Glasgow City Council to develop a major 500,000 sq ft retail and leisure project adjacent to our existing 100,000 sq ft Junction 10 Retail Park

Chairman's Statement

Results

I am pleased to report in the six months to 24th June 1999, fully diluted net assets per share increased by 8% to 347p (December 1998: 321p) compared to 7% in the same period last year. Over twelve months the net assets per share increased by 20% (June 1998: 290p).

Profit on revenue activities over the six months are up 58% to £5.7m (1998: £3.6m) and net rental income has increased by 43% to £21.8m (1998: £15.2m). Earnings per share on revenue activities of 5.4p (1998: 4.0p).

Dividend

The Directors have resolved to pay an interim dividend of 2.0p (1998: 1.5p) per share on 23rd August 1999 to shareholders on the register at the close of business on 23rd July 1999.

I am pleased to inform you that the Company is offering shareholders a service whereby you can use your cash dividends to buy more shares in the Company at competitive dealing rates. A circular explaining this Dividend Reinvestment Plan will be sent to all shareholders on 19th July 1999.

Review of activities

During the first half, we had a very active period and our portfolio performed extremely well. On a same store basis, that is property we owned at December 1998 through to June 1999, capital growth of 2.2% was achieved in six months, compared to 1.4% IPD's Monthly Index of Capital Value for All Property November 1998 to May 1999.

It is worth noting that our portfolio is highly reversionary. The estimated rental value being approximately £14m higher than the £51m rents passing as at 24th June 1999. This does not take into account the significant expansion and development opportunities within the portfolio outlined in this statement.

Trading and investment property acquisitions totalled £93.7m and we completed disposals of £27.9m. Refurbishment and development costs were £24.5m.

In February, we acquired Westway Cross Shopping Park in Greenford from Sears for £33m and have subsequently let a major unit to Next, the fashion retailer. During that month, we also acquired the PDFM interests in the Easter Industrial portfolios for £28.3m and these portfolios have since been rationalised with the sale of seven properties for £11m.

During June, we launched the re-branding of Xscape, formerly Sports Village, in Milton Keynes, one of our most exciting developments to date. Costing £60m, Xscape is a 550,000 sq ft integrated retail and entertainment destination on schedule to open in May 2000. The project is a 50:50 partnership between Capital and Regional Properties and two funds managed by PRICOA, TransEuropean Property Limited Partnership II and Hanover Property Unit Trust.

We are pleased to announce that the Company has entered into a conditional agreement with Glasgow City Council to co-operate in the development of a major retail and leisure project of approximately 500,000 sq ft adjacent to our existing Junction 10 Retail Park.

Market and strategy

Our confidence at the beginning of 1999 in both the investment and tenant markets was justified as sentiment in both markets improved strongly. Consumer confidence returned with retail sales improving. Our strategy is to enable our properties to outperform the overall market through active management, branding and improvement of the tenant mix. We continue to explore the right opportunities where Capital and Regional can add value and benefit from the economies of scale and close relationships with our tenants.

Shopping centres

The first six months of 1999 has seen a high level of activity in all our centres. Our management style is being vigorously applied to all of our businesses. This includes tenancy restructuring and concept planning at The Pallasades, Birmingham and Selborne Walk, Walthamstow; major regeneration at Shopping City, Wood Green, London and the Howgate Centre, Falkirk with re-branding at the Alhambra, Barnsley. Our tenants, shoppers, local authority and other partners continue to respond well and support our energetic management approach. In association with our Centre Managers, Capital and Regional Facilities Management Limited (CRFM) continues to provide value for money for our tenants through economies derived from utility and supplier bulk purchasing.

At The Pallasades in Birmingham, the 27,500 sq ft JJB Sports flagship store is open and trading successfully. In addition, lettings to Simply Internet, Time Computers and Grinders Coffee have all been completed. Solicitors are instructed on two further major lettings, which once concluded will yet again establish a record rental level for the scheme. The development teams of Railtrack and the Company continue to jointly progress scheme design for the regeneration of New Street Station and the expansion of the retail provision. An integral part of these discussions is the renegotiation of the present ground lease. The teams are expected to finalise these proposals during the Summer and launch the scheme by the end of the year. Work on site is expected to commence by Spring 2001.

The Trinity Centre, Aberdeen, is now fully let with the last remaining unit being taken by Clinton Cards who are upsizing within the scheme. The unit they are vacating is under offer and when concluded will establish a rent level more than double that passing at acquisition in 1993. The Centre's continuing trading success is further reinforced by Ottakars expanding their bookstore by an additional 20% within the first year of opening. Work is underway to install the frontage canopy and branding which will be complete in the Autumn.

Within the half year, lettings have been concluded at The Howgate Centre, Falkirk, to Bodycare, Going Places, Olivers and MVC. We also purchased a long leasehold interest within the scheme.

Work is underway on the remodelling of the Marks and Spencer's atrium, which will extend and revitalise the Centre's catering offer and produce an additional 6,000 sq ft of retail. In addition, a new Collection Café will be introduced in the mall's central square, together with a new entrance canopy and frontage branding. It is hoped that the refurbishment of the car park will be completed prior to the year end.

In addition to introducing MVC to Falkirk, we were also able to provide them with representation at The Alhambra Centre, Barnsley, letting almost 4,500 sq ft. The first phase of re-branding and signage has been completed, with an increase in footfall of almost 12% year on year being recorded.

The major regeneration of Shopping City, Wood Green, London, is now well underway. Construction of the new market hall and major anchor store for Wilkinsons is scheduled to complete in August. The twelve screen multiplex cinema will be handed over to Cine UK for their fit-out at the end of the year. Construction is also underway on the reconfiguration of the major Boots store, as is the re-modelling works to the malls. Tenant interest in the Centre is strong and discussions are underway with new retailers seeking representation in Shopping City.

At the Sauchiehall Centre, Glasgow, planning consent for a major health and fitness facility has been achieved and pre-let to Healthland, who are shortly to commence fitting out for opening in November. In addition, a letting to Pocket Phone Shop has been concluded, together with the restructuring of a lease to the Royal Bank of Scotland. Encouraged by pre-letting interest, we are submitting a planning application for the reconfiguration of the Centre, designed to focus value on prime Sauchiehall Street. Subject to consent, it is hoped construction can commence during the first half of year 2000.

Selborne Walk, Walthamstow, remains fully let. Our planning application to integrate a multiplex-based leisure component plus the retail space has been favourably considered by the local authority, whose formal notification is anticipated during the Summer. Pre-letting discussions for the cinema and the majority of the space are at an advanced stage.

We continue to explore the possibilities at Liberty 2, Romford, to improve retail visibility by reconfiguring the central area space. This should improve the prospects for letting the remaining units, presently obscured by escalators and provide a contemporary catering offer. Negotiations continue with the local authority and others on opportunities to improve the Centre's critical mass.

At Eldon Garden, Newcastle, a major letting to the Pier of the remaining 7,000 sq ft of the former Debenhams space has been agreed. They are presently fitting out and hope to trade in the Autumn. This letting necessitated the relocation of Tribal within the Centre. The central catering offer has been re-branded 'Café in the Garden' and Richard Sinton Jewellers has expanded their retail space by an additional 30%.

Retail and leisure parks

Progress on our major acquisition during the first half at Westway Cross Shopping Park, Greenford, is encouraging. Since acquisition, we have let a 10,000 sq ft vacant unit to Next and are at an advanced stage of negotiation for two further units. These lettings support our view that Westway Cross will become a leading fashion park. New marketing initiatives, re-branding and estate improvements are all underway.

Tenant demand for our other retail parks improved during the second quarter, which has led to a number of lettings being agreed, which should be realised during the second half of the year.

At Blythswood Retail Park, Glasgow, progress continues to be made on the next phase, which could include up to 70,000 sq ft of further retail space. A re-branding exercise is progressing well.

Refurbishment and reconfiguration works have commenced at Junction 10 Retail Park, Glasgow, and marketing of the final unit will commence during the second half.

We have entered into a conditional agreement with Glasgow City Council to co-operate in the development of a major retail and leisure project of approximately 500,000 sq ft adjacent to our existing 100,000 sq ft retail park at Junction 10 of the M8. The proposed development will include a 170,000 sq ft retail park, a 130,000 sq ft foodstore and a leisure park to include a multiplex cinema, family entertainment centre, healthclub, hotel, restaurants and bars. Our aim is to create a landmark development for Glasgow and Scotland.

At Beckton Retail Park, London E6, we have exchanged an Agreement for Lease with Matalan for up to 30,000 sq ft and a refurbishment, reconfiguration and re-branding programme of this 170,000 sq ft park will commence during the second half.

We have let a 10,000 sq ft unit to Poundstretcher at the Bognor Regis Retail Park, subject to planning consent and the refurbished units let to Lidl and Landmark are now open and trading well.

At the Lancaster Retail Park, letting negotiations are at an advanced stage in respect of two units totalling 40,000 sq ft. Following completion of these negotiations, works will commence on the extension and refurbishment of the park.

Construction is progressing well at the Wyrley Brook Retail Park in Cannock for the new B&Q and Kingsway stores, together with other estate improvements.

At the Channons Hill Retail Park, Bristol, a 10,000 sq ft unit has been let to Dixons at a new market rent of £12.00 per sq ft and refurbishment works have commenced.

At the Eureka Leisure Park, formerly Ashford Leisure Park, practical completion of the first phase is anticipated in August. The second phase will comprise a larger healthclub unit of 35,000 sq ft let to Stakis, a 60 bedroom hotel and a 7,000 sq ft public house for Allied Domecq. Subject to obtaining detailed planning consent, construction should commence on this phase in the Autumn, with completion due in Summer 2000.

At the Cardiff International Sports Village, where we are the leading partner in a development consortium, planning consent has been obtained, subject to legal agreement. The proposed development will include a new sports arena and swimming pool, 110,000 sq ft of retail and 100,000 sq ft of leisure floor space, together with hotels, offices and residential. Pre-lets and pre-sales for the major elements of the scheme are currently being sought.

Construction is well advanced at Xscape, formerly Sports Village, Milton Keynes, and currently on budget and programme to complete in May 2000. The new branding and marketing launch in early June has resulted in a further three units being placed under offer. Following extensive research, the Company intends to selectively roll-out the Xscape concept in Europe and two potentially suitable sites have already been identified.

Industrial

Continued positive progress has been made by Easter Group in the first six months of the year and after a slow start, a number of lettings within the investment portfolio have been concluded. After our recent acquisition of the PDFM interests in the Easter Industrial portfolios for £28.3m, these portfolios have been rationalised with the sale of seven properties for £11m. This was followed by the acquisition of an industrial estate near Chepstow for £6.2m.

Development trading activity continues to be buoyant with the sale of one scheme and the completion of the letting at another.

Financial position

The Company's borrowings at 24th June 1999 were £444.4m against £366.1m at December 1998. Net cash balances were £6.4m (December 1998: £5.5m) and the Company had approximately £78m (December 1998: £59.8m) of undrawn secured facilities.

Net debt to capital employed has risen to 119% at the end of the first half of 1999 compared to 107% at December 1998. Assuming the conversion of the loan stock to equity net debt to capital employed was 106% at June 1999 (December 1998: 93%).

The weighted average interest rate cost of total borrowings at 24th June 1999 has reduced to 7.25% compared to 7.8% at the end of 1998. Rental income as a ratio to net interest payable including capitalised interest was maintained at the 1998 level of 1.6 times for the first half of 1999.

The market value of fixed rate debt instruments at 24th June 1999 on a replacement basis and the expiry profile of the resulting fair value adjustment is set out in note 12 of the accounts. The fair value adjustment of £2.4m at 24th June 1999 has reduced from £11.1m at previous year end representing approximately 0.5% (December 1998: 3%) of Company borrowings. This has a notional adverse effect on net asset value per share of 1.5p at 24th June 1999 that has reduced from 7p at December 1998 due to time expiry and increases in market interest rates.

Year 2000 update

As reported at the year end, the programme to ensure that any issues arising from the 'Millennium Bug' is substantially completed. It is anticipated that action identified to confirm Year 2000 compliance will be implemented by 31st August 1999 and contingency plans to deal with unforeseen failure will be in place.

Outlook

Once again, these results demonstrate the value we are creating for shareholders by Capital and Regional's partnership approach with its tenants. We believe the innovative and dynamic management of our portfolio is unique in the UK. The focus is on assisting our retailers to trade more profitably and this strategy will sustain our strong growth.

We continue to seek actively opportunities where we can continue to add value to previously under managed assets.

Martin Barber Chairman
13th July 1999

Consolidated Profit and Loss Account

	Notes	(Unaudited) 6 months to 24th June 1999 £000	(Unaudited) 6 months to 24th June 1998 £000	(Audited) Year to 25th December 1998 £000
Turnover: group rental income and share of joint ventures' turnover		27,190	19,046	52,732
Less: share of joint ventures' turnover		(1,662)	(875)	(7,822)
Group rental income		25,528	18,171	44,910
Net property costs		(3,716)	(2,942)	(6,403)
Net rental income		21,812	15,229	38,507
Profit on the sale of trading and development properties	4	910	–	517
		22,722	15,229	39,024
Administrative expenses		(3,097)	(2,295)	(6,259)
		19,625	12,934	32,765
Other operating income		468	629	669
Group operating profit		20,093	13,563	33,434
Share of operating profit in joint ventures and associates		18	621	1,473
		20,111	14,184	34,907
Income from listed investments		649	538	1,095
Interest receivable and similar income		308	431	807
Interest payable and similar charges	5	(15,366)	(11,563)	(25,290)
Profit on revenue activities		5,702	3,590	11,519
Profit/(loss) on sale of investment properties	4	893	(9)	(38)
Profit on ordinary activities before taxation		6,595	3,581	11,481
Taxation	6	(149)	(158)	(347)
Profit on ordinary activities after taxation		6,446	3,423	11,134
Equity minority interests		(222)	(56)	(42)
Profit attributable to the shareholders of the Company		6,224	3,367	11,092
Equity dividends paid and payable		(1,965)	(1,474)	(4,176)
Profit retained in the period		4,259	1,893	6,916
Earnings per share	7	6.3p	4.0p	12.1p
Earnings per share – diluted	7	6.3p	3.9p	12.1p
Earnings per share on revenue activities	7	5.4p	4.0p	12.2p

The notes on pages 10 to 12 form part of these accounts.

Consolidated Balance Sheet

	Notes	(Unaudited) As at 24th June 1999 £000	(Audited) As at 25th December 1998 £000	(Unaudited) As at 24th June 1998 £000
Fixed assets				
Property assets	8	756,549	654,606	569,353
Other fixed assets		779	844	1,032
Tangible assets		757,328	655,450	570,385
Other investments	9	23,877	22,000	21,597
Investment in joint ventures				
Share of gross assets		6,090	7,715	9,039
Share of gross liabilities		(4,356)	(5,448)	(6,438)
		1,734	2,267	2,601
Investment in associates		5	3,446	3,495
		782,944	683,163	598,078
Current assets				
Property assets	8	38,420	24,412	23,254
Debtors:				
amounts falling due after more than one year		3,804	3,914	–
amounts falling due within one year		17,716	18,802	28,925
Cash at bank and in hand		6,404	5,476	356
		66,344	52,604	52,535
Creditors: amounts falling due within one year		(38,935)	(35,120)	(29,124)
Net current assets		27,409	17,484	23,411
Total assets less current liabilities		810,353	700,647	621,489
Creditors: amounts falling due after more than one year (including convertible unsecured loan stock)		(443,559)	(364,480)	(323,260)
Net assets		366,794	336,167	298,229
Capital and reserves				
Called up share capital		9,826	9,826	9,826
Share premium account		161,863	161,863	161,869
Revaluation reserve		154,197	131,553	103,515
Other reserves		591	591	591
Profit and loss account		33,227	26,983	21,463
Equity shareholders' funds		359,704	330,816	297,264
Equity minority interests		3,090	2,101	965
Non-equity funding by joint arrangement partners		4,000	3,250	–
Capital employed		366,794	336,167	298,229
Net assets per share adjusted for minority interests and non-equity funding	10	366.1p	336.7p	302.5p
Net assets per share adjusted for minority interests and non-equity funding – diluted	10	346.7p	320.6p	290.2p

The notes on pages 10 to 12 form part of these accounts.

Statement of Total Recognised Gains and Losses

	(Unaudited) 6 months to 24th June 1999 £000	(Unaudited) 6 months to 24th June 1998 £000	(Audited) Year to 25th December 1998 £000
Share of unrealised surplus on valuation of investment properties	22,752	20,422	48,694
Share of unrealised surplus on valuation of investment properties in joint ventures	–	–	87
Share of unrealised surplus on valuation of investment properties in associates	–	168	113
Revaluation surplus/(deficit) on other investments	1,877	(1,383)	(979)
Tax on revaluation surpluses realised in year	–	–	(165)
	24,629	19,207	47,750
Profit for the period attributable to the shareholders of the Company	6,224	3,367	11,092
Total recognised gains and losses relating to the period	30,853	22,574	58,842

Reconciliation of Movements in Shareholders' Funds

	(Unaudited) 6 months to 24th June 1999 £000	(Unaudited) 6 months to 24th June 1998 £000	(Audited) Year to 25th December 1998 £000
Profit for the period attributable to the shareholders of the Company	6,224	3,367	11,092
Equity dividends paid and payable	(1,965)	(1,474)	(4,176)
Profit retained in the period	4,259	1,893	6,916
Share capital and share premium issued (net of expenses)	–	59,133	59,128
Goodwill written off	–	(268)	(277)
Other recognised gains and losses relating to the period (see above)	24,629	19,207	47,750
Net addition to shareholders' funds	28,888	79,965	113,517
Opening shareholders' funds	330,816	217,299	217,299
Closing shareholders' funds	359,704	297,264	330,816

The notes on pages 10 to 12 form part of these accounts.

Summary Cash Flow Statement

	Notes	(Unaudited) 6 months to 24th June 1999 £000	(Unaudited) 6 months to 24th June 1998 £000	(Audited) Year to 25th December 1998 £000
Net cash inflow from operating activities	11	25,536	12,965	31,303
Dividends received from joint ventures		300	313	3,526
Dividends received from associates		714	180	660
Net cash outflow from returns on investments and servicing of finance		(14,393)	(9,611)	(22,854)
		12,157	3,847	12,635
Taxation		(2)	(366)	(880)
Net operating cash flow		12,155	3,481	11,755
Capital expenditure and financial investment		(85,371)	(131,639)	(176,204)
		(73,216)	(128,158)	(164,449)
Acquisitions and disposals		–	(665)	(725)
		(73,216)	(128,823)	(165,174)
Equity dividends paid		(4,176)	(1,910)	(1,910)
Cash outflow before financing		(77,392)	(130,733)	(167,084)
Financing		78,319	121,860	163,331
Increase/(decrease) in cash in the period		927	(8,873)	(3,753)

	(Unaudited) 6 months to 24th June 1999 £000	(Unaudited) 6 months to 24th June 1998 £000	(Audited) Year to 25th December 1998 £000
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period	927	(8,873)	(3,753)
Cash inflow from increase in debt financing	(78,319)	(63,017)	(104,203)
Change in net debt resulting from cash flows	(77,392)	(71,890)	(107,956)
Net debt at beginning of period	(360,591)	(252,635)	(252,635)
Net debt at end of period	(437,983)	(324,525)	(360,591)

	(Unaudited) 6 months to 24th June 1999 £000	(Unaudited) 6 months to 24th June 1998 £000	(Audited) Year to 25th December 1998 £000
Analysis of net debt			
Cash in hand and at bank	6,404	356	5,476
Debt due within one year	–	(760)	(760)
Debt due after one year	(444,387)	(324,121)	(365,307)
	(437,983)	(324,525)	(360,591)

The notes on pages 10 to 12 form part of these accounts.

Notes to the Accounts

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

The financial information for the year to 25th December 1998 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 1998 have been delivered to the Registrar of Companies. The financial information for the six months to 24th June 1999 is unaudited and has not been reviewed by the Group's auditors.

3. Segmental analysis

	Turnover £000	Profit on revenue activities £000	Profit on ordinary activities before taxation £000	Net assets adjusted for minority interests £000
Six months ended 24th June 1999				
Continuing operations – UK	25,528	5,289	6,182	335,942
Share of joint ventures – UK	1,662	(174)	(174)	1,733
	27,190	5,115	6,008	337,675
Continuing operations – USA	–	587	587	22,029
	27,190	5,702	6,595	359,704
Six months ended 24th June 1998				
Continuing operations – UK	18,171	2,859	2,850	275,094
Share of joint ventures – UK	875	193	193	2,601
	19,046	3,052	3,043	277,695
Continuing operations – USA	–	538	538	19,569
	19,046	3,590	3,581	297,264
Year ended 25th December 1998				
Continuing operations – UK	40,375	5,286	5,202	308,104
Surrender premiums – UK	4,535	4,535	4,535	–
Share of joint ventures – UK	7,822	628	674	2,267
	52,732	10,449	10,411	310,371
Continuing operations – USA	–	1,070	1,070	20,445
	52,732	11,519	11,481	330,816

4. Property sales

	Fixed property assets		Current property assets	
	(Unaudited) 6 months ended 24th June 1999 £000	(Unaudited) 6 months ended 24th June 1998 £000	(Unaudited) 6 months ended 24th June 1999 £000	(Unaudited) 6 months ended 24th June 1998 £000
Net sale proceeds	15,523	37,070	12,347	–
Cost of sales	(12,644)	(36,553)	(11,437)	–
Historical cost profit	2,879	517	910	–
Revaluation surplus	(1,986)	(576)	–	–
Profit/(loss) recognised on sale of properties	893	(59)	910	–
Share of joint ventures profit on sale of investment properties	–	50	–	–
Profit/(loss) recognised on sale of properties	893	(9)	910	–

5. Interest payable and similar charges

	(Unaudited) 6 months to 24th June 1999 £000	(Unaudited) 6 months to 24th June 1998 £000	(Audited) Year to 25th December 1998 £000
Bank loans and overdrafts wholly repayable within five years	15,092	10,720	23,888
Other loans	876	868	1,752
	15,968	11,588	25,640
Capitalised in period	(732)	(301)	(856)
	15,236	11,287	24,784
Share of joint ventures interest payable	98	143	237
Share of associates interest payable	32	133	269
	15,366	11,563	25,290

6. 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.

7. Earnings per share

Earnings per share have been calculated on a weighted average of 98,255,271 Ordinary shares of 10p each in issue during the period (year to 25th December 1998: 91,712,962, six months to 24th June 1998: 85,062,217) and have been based on profit on ordinary activities after taxation and minority interests of £6,224,000 (year to 25th December 1998: £11,092,000, six months to 24th June 1998: £3,367,000).

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 98,546,290 (year to 25th December 1998: 92,048,812, six months to 24th June 1998: 85,436,677) and the relevant earnings are £6,224,000 (year to 25th December 1998: £11,092,000, six months to 24th June 1998: £3,367,000).

Earnings per share on revenue activities exclude the profit on the sale of investment properties and associated tax charge and minority interests thereon, of £890,000 (year to 25th December 1998 loss: £132,000, six months to 24th June 1998 loss: £9,000).

8. Property assets

	Investment properties £000	Properties under construction* £000	Total fixed property assets £000	Current property assets £000
Cost or valuation				
At beginning of period	646,932	7,674	654,606	24,412
Acquisitions	73,328	–	73,328	20,395
Refurbishment and development	12,979	6,681	19,660	4,787
Disposals	(14,630)	–	(14,630)	(11,174)
Revaluation	19,893	3,692	23,585	–
At end of period	738,502	18,047	756,549	38,420

The fixed property assets were valued at 24th June 1999, as follows:

Valuer	Basis of valuation	£000
DTZ Debenham Thorpe	Open market value	630,660
	Open market value – properties under construction*	18,047
Richard Ellis St. Quintin	Open market value	107,234
Directors	Open market value	420
Directors	Cost	188
		756,549

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

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

9. Other investments

The investment in the shares held in CenterPoint Properties Trust is included in the balance sheet at 24th June 1999 at the market value at that date of $34.69 per share translated into sterling at the rate of exchange at 24th June 1999 of $1.59 to the £. The effect of the increase since the last balance sheet date in the share price as quoted on the New York Stock Exchange has been recognised in the period by a transfer to reserves.

10. Net assets per share

Net assets per share have been calculated on 98,255,271 Ordinary shares of 10p each and have been based on net assets attributable to shareholders of £359,704,000 (25th December 1998: £330,816,000, 24th June 1998: £297,264,000).

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 110,667,442 Ordinary shares of 10p each and have been based on adjusted net assets attributable to shareholders of £383,699,000 (25th December 1998: £354,766,000, 24th June 1998: £321,168,000) by adding the £23,995,000 (25th December 1998: £23,950,000, 24th June 1998; £23,904,000) balance sheet value of the CULS.

11. Reconciliation of net cash inflow from operating activities

	(Unaudited) 6 months to 24th June 1999 £000	(Unaudited) 6 months to 24th June 1998 £000	(Audited) Year to 25th December 1998 £000
Group operating profit	20,093	13,563	33,434
Profit on the sale of trading and development properties	(910)	–	(517)
	19,183	13,563	32,917
Depreciation	222	267	569
Loss/(profit) on disposal of fixed assets	3	(28)	113
Amortisation of goodwill arising on acquisition of joint venture	–	–	5
Decrease/(increase) in trade debtors, other debtors and prepayments	97	(1,961)	(5,305)
Increase in trade creditors, other creditors, taxation and social security and accruals	6,031	1,124	3,004
Net cash flow from operating activities	25,536	12,965	31,303

12. Debt valuation

The table below shows the market value of fixed rate debt instruments, and reflects the difference between the interest rate yield curve as at 24th June 1999 and the rates historically committed; namely the fair value adjustment.

	Book value £000	Notional principal £000	Market value £000	Fair value adjustment £000
Convertible Unsecured Loan Stock	24,642	n/a	24,642	–
Bank borrowings	15,250	n/a	15,624	374
Interest rate swaps	n/a	254,961	257,099	2,138
	39,892	254,961	297,365	2,512
Minority interests				94
Fair value adjustment attributable to the Group				2,418
Net of tax at 30%				1,693

The expiry profile of the fair value adjustment is as follows:

	Fair value adjustment £000	% of total
1999 (six months)	2,017	80%
2000	1,621	65%
2001	(325)	(13%)
2002	(519)	(21%)
2003	(282)	(11%)
Total	2,512	100%

Designed and Produced by Radley Yeldar (London)

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