Capital & Regional plc
Interim Report 2002

Chairman and Chief Executive's Statement

The first six months of this year mark the culmination of our plans to convert Capital & Regional plc from a property investment company to a co-investing property asset manager. On 3rd January we established The Junction Fund and on 28th February we established The Mall Fund.

In April, we completed a £50m Tender Offer to buy back shares, bringing the total capital returned to shareholders to £94m over the past two years. Our shareholders overwhelmingly supported the establishment of these funds and the Tender Offer. The minority of shareholders who opposed our strategy have now disposed of their holdings in the Group. They have been replaced by several major international institutions.

As a result of our significant costs involved in the establishment of the funds, including early debt repayment, there is an exceptional item of £7.2m which has been taken to the profit and loss account in the first half. The underlying profits from our ongoing business operations made good progress with profits, before property sales, exceptional items and taxation up by 22.7% to £5.4m (June 2001: £4.4m).

Underlying profits per share on the same basis rose by 42% to 7.4p (June 2001: 5.2p). We are also pleased to report that the asset backing per share is up 8.8% to 371.4p per share in the six month period after the impact of the exceptional item referred to above.

Strategy Capital & Regional plc is a co-investing property asset manager. We formed a retail park fund and a shopping mall fund with a single partner Morley Fund Management, a division of Aviva plc, which has virtually doubled the value of properties that our teams are managing.

Our strategy is to bring in additional investors and to further our acquisition policy. We were pleased with Commercial Union Life Assurance Company Limited's investment of £71m into The Junction Fund on 17th July which facilitated the acquisition of a portfolio of retail warehouse parks costing £145m. Discussions are being held at the present time with several other institutions to expand both funds.

Our approach The Group's success in bringing together top calibre teams is a key feature of our development strategy, as we expand our current funds and look to establish complementary new funds. The motivation of our management, which is a vital influence on the funds' performance, is therefore of crucial importance to both the funds' investors and the shareholders in the Group. Our ability to deploy capital as well as management expertise makes Capital & Regional plc the partner of choice.

A hallmark of our approach to asset management is the priority we attach to brand development to build awareness of the values and advantages of our properties to the public. Actively marketing an asset is key to attracting increased footfall and, therefore, building value. Accordingly, The Junction, The Mall and Xscape will continue to invest in building their brands in their respective market segments.

Financial In this year of transformation, and with the introduction of new accountings standards, we believe that it is helpful to shareholders to include a summarised earnings statement on page 02 so that the underlying performance of the Group can be more clearly understood.

Summarised profit and loss account

	6 months to 30th June 2002 £m	(Restated) Year to 25th December 2001 £m	(Restated) 6 months to 24th June 2001 £m
Net rental income	8.1	49.0	25.4
Management fees	2.6	1.5	0.7
Snozone profit	0.2	0.1	–
Other operating income	0.2	0.6	0.6
Overheads	(5.5)	(10.2)	(4.1)
Profit before interest in joint ventures and associates and net interest payable	5.6	41.0	22.6
Share of profit of joint ventures and associates after interest	6.0	0.7	(0.9)
Group net interest payable	(6.2)	(32.0)	(17.3)
Profit before property sales and exceptional items	5.4	9.7	4.4
Profit on sale of trading properties	0.2	0.2	–
Profit before investment property sales and exceptional items	5.6	9.9	4.4
(Loss)/profit on sale of investment properties	(1.2)	1.5	0.4
Exceptional items	(7.2)	–	–
(Loss)/profit before taxation	(2.8)	11.4	4.8
Corporation tax and minority interest	0.3	(0.2)	–
FRS 19 deferred tax	(0.4)	8.6	(0.1)
Dividend	(1.8)	(4.8)	(2.0)
(Loss)/profit retained in the period	(4.7)	15.0	2.7
Profit before property sales and exceptional items per share	7.4p	11.8p	5.2p
Weighted average number of shares	72,857,000	82,272,918	85,746,495

The underlying profit before property sales and exceptional items rose by 22.7% to £5.4m from £4.4m with profit per share on the same definition increasing by 42.3% to over 7.4p from 5.2p in the previous year. Management fees at £2.6m are beginning to show their increasing importance to the Group's profitability.

The fully diluted net assets per share increased by 8.8% from 341.3p (restated) to 371.4p in the six month period despite the exceptional cost discussed above. After adjustment for deferred tax and debt valuation, net assets per share increased by 27.1p to 356.0p compared to 328.9p at December 2001 (8.2% increase). Gearing has fallen from 138.9% (restated) at December 2001 to 47.6%, including the effect of the capital reduction. Through a Tender Offer, the Group bought back 17,543,744 Ordinary shares at a price of £2.85 per share on 26th April 2002.

A new accounting standard, FRS 19, requires us to provide for deferred tax on capital allowances claimed. As we have demonstrated with the sale of our retail parks and shopping centre assets into funds, deferred tax provided may not become an actual liability as capital allowances claimed are rarely passed on to a purchaser. The implementation of this standard has resulted in a credit to the profit and loss account of £8.6m in the year ended 25th December 2001.

The dividend is being raised by 20% to 3p per share (June 2001: 2.5p) and reflects the Board's policy of increasing the dividend as earnings progress and its confidence in the outlook for the business. This will be paid on 18th October 2002 to shareholders on the register on 4th October 2002.

The Mall Fund The Mall Fund, led by Chief Executive, Ken Ford, was launched on 28th February 2002 with initial gross assets of £656m comprising 11 malls. Performance over the first four months (after fees, expenses and interest) produced a geared return of 7.5% (income: 2.4%, capital: 5.1%) and a property level return of 5.1%. The Mall Fund objective is to grow assets to in excess of £2bn, investing and operating in excess of 30 malls.

Following the creation of the fund, we launched The Mall, our shopping centre brand, in March 2002. Our intention is to build a brand that is synonymous with shopping satisfaction through safe secure centres, an excellent tenant mix, first class facilities, constantly new and exciting shopping experiences and a strong community focus.

Over the four month period net rental income has increased by 3.2% to £52.5m per annum with rental value also rising by 3.5% to £63.8m per annum. The valuation of the fund's portfolio increased by 4.6% to £685.5m and we were pleased to have reduced the void rate from 3% to 2.6%. These encouraging performance statistics reflect both the positive trading environment for our centres combined with the success of our active and innovative approach to centre management.

The Junction Fund The Junction Fund, led by Chief Executive Andrew Lewis-Pratt, was launched on 3rd January 2002 with initial gross assets of £322m comprising 11 retail parks.

In July, The Junction acquired a £145m portfolio from Burford Holdings Ltd and simultaneously sold one of the smaller parks for a profit. To provide equity for the acquisition of this portfolio Commercial Union Life Assurance Company Limited invested £71m of equity into the fund, thus reducing Capital & Regional's holding to 35%. The Junction's objective is to grow assets to in excess of £1bn, investing and operating in excess of 20 retail parks.

Performance over the first six months (after fees, expenses and interest) produced a geared return of 8.9% (income: 1.5%, capital: 7.4%) and a property level return of 6.3%.

Support of The Junction's initiatives is illustrated by the successful pre-lettings at our first "Pod" development at The Junction, Hull (due to open in Spring 2003) to Carphone Warehouse and Starbucks (their first retail park outlet in the UK). The climbing wall has been let to Silvertrek. The innovative and futuristic design of the "Pod" will be introduced over time to many of The Junction parks. They will provide customers with public conveniences, as well as places to shop, meet, eat and play.

The Junction offers its investors sectoral specialisation, gearing and a spread of risk over a dispersed portfolio of large destination parks. The fund's management team have enormous experience of this sub sector and are strongly placed to extract value from this asset base.

Glasgow Fort We have entered into a joint venture agreement with Pillar Property PLC for the development of a new park on the M8 east of Glasgow, which will be called Glasgow Fort. The development comprises 300,000 sq ft of open A1 retail space and we are currently securing pre-lettings to major retailers at levels above expectation.

Xscape September marks the first anniversary of the appointment of PY Gerbeau as Chief Executive of Xscape. The key objective was to exploit the Xscape brand, concept and vision.

At Xscape, Milton Keynes footfall in the second year of opening has run almost 15% higher than in the first year and visitors are staying considerably longer than they did in the first year.

We operate Snozone, the real snow slope. This control gives us considerable advantages as developer and manager as well as a good earnings stream now that costs have been tightly controlled and an aggressive sales strategy implemented.

Our development programme continues according to plan. At Xscape, Castleford construction is well underway and expected to open Autumn 2003. 66% of floor space is pre-let, and a further 10% is either in solicitors' hands or at a well progressed stage of negotiation. At Xscape, Braehead outline planning consent has now been received. Marketing of pre-letting has commenced and the current anticipated start date on site is June 2003.

We are receiving approaches from developers of similar projects from other parts of the world to assist them with our management expertise and/or possibly to co-invest. We are continuing to consider these opportunities.

Board change As we announced on 23rd August 2002 Roger Boyland, Director of Corporate Finance and one of the founding directors of Capital & Regional, will be leaving the Company on 30th September 2002.

We would like to thank him for his outstanding contribution to the creation and development of the Group since 1979 and wish him every success in the future.

Outlook The sectors within which we operate are proving extremely resilient. We have the management teams and focus that we believe will enable our funds to out-perform the market in general. Whilst our new business model is in its early days, we are very well placed to build revenues as we progressively deliver out-performance and expand the scale of the funds we manage. We look forward with considerable confidence to the expansion of the funds and our earnings in the years to come.

Tom Chandos Chairman
23rd September 2002

Martin Barber Chief Executive
23rd September 2002

Independent Auditors' Report
to Capital & Regional plc

We have been instructed by the Company to review the financial information for the period ended 30th June 2002 which comprises the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the cash flow statement and the related notes 1 to 16. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the period ended 30th June 2002.

Deloitte & Touche
Chartered Accountants
London

23rd September 2002

Notes
A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Consolidated Profit and Loss Account

	Notes	(Unaudited) 6 months to 30th June 2002 £000	(Restated) (Unaudited) 6 months to 24th June 2001 £000	(Restated) (Audited) Year to 25th December 2001 £000
Turnover: Group income and share of joint ventures' turnover	3	21,980	34,095	77,735
Less: share of joint ventures' turnover		(7,350)	(2,091)	(15,620)
Group turnover		14,630	32,004	62,115
Cost of sales		(3,692)	(5,997)	(11,485)
Gross profit		10,938	26,007	50,630
Profit on sale of trading and development properties	4	167	35	183
Administrative expenses		(5,536)	(4,059)	(10,154)
Other operating income		192	605	590
Group operating profit		5,761	22,588	41,249
Share of operating profit in joint ventures and associates		12,886	331	3,068
Total operating profit	3	18,647	22,919	44,317
Exceptional items	5	(7,178)	–	–
(Loss)/profit on sale of investment properties	4	(1,143)	370	1,439
Profit on ordinary activities before interest		10,326	23,289	45,756
Interest receivable and similar income		661	1,182	1,587
Interest payable and similar charges	6			
– Group		(6,678)	(18,420)	(33,533)
– Share of joint ventures and associates		(7,071)	(1,230)	(2,447)
		(13,749)	(19,650)	(35,980)
(Loss)/profit on ordinary activities before taxation		(2,762)	4,821	11,363
Taxation	7	(51)	(424)	8,145
(Loss)/profit on ordinary activities after taxation		(2,813)	4,397	19,508
Equity minority interests		(8)	298	250
(Loss)/profit attributable to the shareholders of the Company		(2,821)	4,695	19,758
Equity dividends paid and payable		(1,863)	(1,971)	(4,731)
(Loss)/profit retained in the period	13	(4,684)	2,724	15,027
(Loss)/earnings per share	8	(3.9)p	5.5p	24.0p
(Loss)/earnings per share – diluted	8	(3.9)p	5.5p	22.6p
Earnings per share on revenue activities	8	7.5p	5.2p	12.4p

The 2001 comparative amounts have been restated in accordance with Financial Reporting Standard 19 "Deferred Tax" (see note 1). Certain comparatives have been reclassified to be consistent with presentation in the current year.

Consolidated Balance Sheet

	Notes	(Unaudited) As at 30th June 2002 £000	(Restated) (Unaudited) As at 24th June 2001 £000	(Restated) (Audited) As at 25th December 2001 £000
Fixed assets				
Property assets	9	62,082	721,782	703,338
Other fixed assets		13,429	14,542	13,966
		75,511	736,324	717,304
Investment in joint ventures:	11			
share of gross assets		117,763	86,878	91,497
share of gross liabilities		(69,787)	(58,996)	(62,014)
		47,976	27,882	29,483
Investment in associates	10	261,986	–	–
		385,473	764,206	746,787
Current assets				
Property assets	9	15,158	22,529	28,126
Debtors		36,170	42,995	36,232
Cash at bank and in hand		5,865	935	8,567
		57,193	66,459	72,925
Creditors: amounts falling due within one year		(31,750)	(61,280)	(70,655)
Net current assets		25,443	5,179	2,270
Total assets less current liabilities		410,916	769,385	749,057
Creditors: amounts falling due after more than one year		(133,503)	(439,065)	(437,502)
Convertible Unsecured Loan Stock		(24,360)	(24,268)	(24,314)
Provision for liabilities and charges		(1,108)	(10,576)	–
Net assets	3	251,945	295,476	287,241
Capital and reserves				
Called up share capital	13	6,171	7,886	7,886
Share premium account	13	162,693	161,927	161,927
Revaluation reserve	13	65,273	95,148	82,988
Other reserves	13	4,290	2,535	2,535
Profit and loss account	13	13,518	27,980	31,905
Equity shareholders' funds and capital employed		251,945	295,476	287,241
Net assets per share	12	408.3p	374.7p	364.3p
Net assets per share – diluted	12	371.4p	350.2p	341.3p

The 2001 comparative amounts have been restated in accordance with Financial Reporting Standard 19 "Deferred Tax" (see note 1).

Statement of Total Recognised Gains and Losses

	(Unaudited) 6 months to 30th June 2002 £000	(Restated) (Unaudited) 6 months to 24th June 2001 £000	(Restated) (Audited) Year to 25th December 2001 £000
Share of unrealised surplus/(deficit) on valuation of investment properties	432	(14,309)	(33,003)
Share of unrealised (deficit)/surplus on valuation of other fixed assets	(421)	341	(117)
Share of unrealised surplus/(deficit) on valuation of properties in joint ventures and associates	20,990	(653)	(537)
Share of tax on revaluation surpluses realised in period	(1,574)	489	(3,218)
Deferred tax provided on unrealised revaluation surpluses	–	–	2,205
	19,427	(14,132)	(34,670)
(Loss)/profit attributable to the shareholders of the Company	(2,821)	4,695	19,758
Total recognised gains and losses relating to the period	16,606	(9,437)	(14,912)
Prior year adjustment (see note 1)	(1,870)		
Total recognised gains and losses since last annual report	14,736		

Reconciliation of Movements in Shareholders' Funds

	(Unaudited) 6 months to 30th June 2002 £000	(Restated) (Unaudited) 6 months to 24th June 2001 £000	(Restated) (Audited) Year to 25th December 2001 £000
(Loss)/profit attributable to shareholders of the Company	(2,821)	4,695	19,758
Equity dividends paid and payable	(1,863)	(1,971)	(4,731)
(Loss)/profit retained in the period	(4,684)	2,724	15,027
Share capital and share premium issued in period	806	34	34
Share capital purchased and cancelled in period (including expenses)	(50,845)	(23,325)	(23,325)
Other recognised gains and losses relating to the period (see above)	19,427	(14,132)	(34,670)
Net reduction to shareholders' funds	(35,296)	(34,699)	(42,934)
Opening shareholders' funds as previously stated	289,111	340,617	340,617
Prior year adjustment (see note 1)	(1,870)	(10,442)	(10,442)
Opening shareholders' funds as restated	287,241	330,175	330,175
Closing shareholders' funds	251,945	295,476	287,241

The 2001 comparative amounts have been restated in accordance with Financial Reporting Standard 19 "Deferred Tax" (see note 1).

Summary Cash Flow Statement

	Notes	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000	(Audited) Year to 25th December 2001 £000
Net cash (outflow)/inflow from operating activities	14	(13,202)	20,327	38,232
Distributions received from joint ventures		465	400	928
Distributions received from associates		1,880	–	–
Returns on investments and servicing of finance		(10,726)	(17,722)	(33,895)
		(21,583)	3,005	5,265
Taxation		(6,020)	(2,501)	(2,777)
Net operating cash flow		(27,603)	504	2,488
Capital expenditure and financial investment		636,049	171,758	190,990
		608,446	172,262	193,478
Acquisitions, disposals and exceptional items		(254,448)	(2,882)	(2,929)
		353,998	169,380	190,549
Equity dividends paid		(2,770)	(2,884)	(4,855)
Cash inflow before financing		351,228	166,496	185,694
Financing:				
Issue of ordinary share capital		806	34	34
Purchase of ordinary share capital		(50,845)	(33,491)	(33,491)
Cash outflow from debt financing		(303,891)	(138,195)	(149,761)
(Decrease)/increase in cash in the period		(2,702)	(5,156)	2,476

Reconciliation of net cash flow to movement in net debt

	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000	(Audited) Year to 25th December 2001 £000
(Decrease)/increase in cash in the period	(2,702)	(5,156)	2,476
Cash outflow from debt financing	303,891	138,195	149,760
Change in net debt resulting from cash flows	301,189	133,039	152,236
Net debt at beginning of period	(457,265)	(609,501)	(609,501)
Net debt at end of period	(156,076)	(476,462)	(457,265)

Analysis of net debt

	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000	(Audited) Year to 25th December 2001 £000
Cash in hand and at bank	5,865	935	8,567
Debt due within one year	(3,450)	(13,543)	(3,540)
Debt due after one year	(158,491)	(463,854)	(462,292)
	(156,076)	(476,462)	(457,265)

Notes to the Financial Statements

1. Accounting policies

The financial information included in the Interim Report comprises consolidated profit and loss account, balance sheet, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds and summary cash flow statement. They have been prepared on the basis of the accounting policies set out in the Report and Accounts for the year ended 25th December 2001, save for the adoption of FRS 19, "Deferred Tax".

The comparatives have been restated to comply with the requirements of FRS 19.

Deferred tax is provided in accordance with FRS 19 on all timing differences which have originated but not reversed at the balance sheet date. Deferred tax is measured on a non-discounted basis. The Group previously only provided for deferred tax to the extent that liabilities or assets were expected to reverse in the foreseeable future.

On disposal of a property, any provision for deferred tax no longer required will be released to the profit and loss account.

Deferred tax is not provided on revaluation gains unless by the balance sheet date there is a binding agreement to sell the assets, and the gain or loss arising on sale has been recognised in the financial statements.

The effect of this restatement, together with the impact on the current period's results are summarised below:

	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000	(Audited) Year to 25th December 2001 £000
Profit and loss account			
Increase/(decrease) in deferred tax charge	393	134	(8,572)
Balance sheet			
Reduction in net assets	2,263	10,576	1,870

2. Financial information and presentation

The results and cash flows for the six months ended 30th June 2002 represent the Group's results and cash flows for the period from 26th December 2001 to 30th June 2002. The comparative figures represent the Group's results and cash flows for the periods from 26th December 2000 to 24th June 2001 and 26th December 2000 to 25th December 2001.

The interim results have not been audited but have been reviewed by the auditors and do not constitute statutory accounts.

The comparative figures for the year ended 25th December 2001 do not constitute statutory accounts but have been extracted from the statutory accounts for that period, which have been filed with the Registrar of Companies. The auditors' report in respect of the year ended 25th December 2001 is unqualified and does not contain a statement under Companies Act 1985 Sections 237(2) or (3).

3. Segmental analysis

Turnover, profit on ordinary activities before taxation and operations arise in the UK.

	(Unaudited) 6 months to 30th June 2002 £000	(Restated) (Unaudited) 6 months to 24th June 2001 £000	(Restated) (Audited) Year to 25th December 2001 £000
Turnover			
Rental income	10,075	29,590	57,084
Property and asset management	2,644	738	1,509
Snozone	1,911	1,676	3,522
Group turnover	14,630	32,004	62,115
Joint ventures	7,350	2,091	15,620
Turnover: Group turnover and share of joint ventures	21,980	34,095	77,735
Operating profit			
Rental income	8,268	25,899	49,622
Property and asset management	2,644	738	1,509
Snozone	218	(25)	89
Sale of trading and development properties	167	35	183
	11,297	26,647	51,403
Associates	10,382	–	–
Joint ventures	2,504	331	3,068
	24,183	26,978	54,471
Administrative expenses	(5,536)	(4,059)	(10,154)
Total operating profit	18,647	22,919	44,317
Net assets			
Rental income	62,082	721,781	703,338
Property and asset management	–	–	–
Sale of trading and development properties	15,158	22,529	28,126
Snozone	142	95	145
Other	13,287	14,447	13,821
Associates	261,986	–	–
Joint ventures	47,976	27,882	29,483
Other assets/(liabilities) and group debt	(148,686)	(491,258)	(487,672)
Net assets	251,945	295,476	287,241

4. Asset sales

	Fixed assets		Current assets	
	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000
Net sale proceeds	648,857	189,994	18,687	423
Cost of sales	(611,284)	(164,842)	(18,520)	(388)
Historical cost profit	37,573	25,152	167	35
Revaluation surplus	(38,716)	(24,782)	–	–
(Loss)/profit recognised on sale of assets	(1,143)	370	167	35

5. Exceptional items

	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000	(Audited) Year to 25th December 2001 £000
Loan breakage costs	3,929	–	–
Transaction costs	2,148	–	–
Group reorganisation costs	1,101	–	–
Total cost of fundamental reorganisation	7,178	–	–

Group reorganisation costs include the redundancy costs of seven members of staff.

6. Interest payable and similar charges

	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000	(Audited) Year to 25th December 2001 £000
Bank loans and overdrafts	6,151	17,669	31,985
Other loans	897	863	1,663
	7,048	18,532	33,648
Capitalised in period	(370)	(112)	(115)
	6,678	18,420	33,533
Share of associates and joint ventures interest payable	7,071	1,230	2,447
	13,749	19,650	35,980

7. Taxation

The taxation charge for the period has been based on an estimate of the likely effective tax rate for the year.

	(Unaudited) 6 months to 30th June 2002 £000	(Unaudited) 6 months to 24th June 2001 £000	(Audited) Year to 25th December 2001 £000
Group			
Current period corporation tax	167	262	1,335
Prior years	(273)	–	(1,135)
Tax credit on exceptional items	(1,509)	–	–
Deferred tax	1,443	134	(8,572)
Share of tax of joint ventures	223	28	227
Total	51	424	(8,145)

The tax credit in respect of the restated comparatives for the year ended 25th December 2001 has arisen due to the release of deferred tax provisions in respect of capital allowances permanently retained on property disposals.

8. (Loss)/earnings per share

(Loss)/earnings per share have been calculated on a weighted average of 72,857,000 Ordinary shares of 10p each in issue during the period (six months to 24th June 2001: 85,746,495, year to 25th December 2001: 82,272,918) and have been based on loss on ordinary activities after taxation and minority interests of £2,821,000 (six months to 24th June 2001 restated: profit £4,695,000, year to 25th December 2001 restated: profit £19,758,000).

Diluted earnings per share have been calculated after allowing for the exercise of share options which have met the required exercise conditions. The calculation includes 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 72,857,000 (six months to 24th June 2001: 86,065,241, year to 25th December 2001: 95,025,530) and the relevant loss is £2,821,000 (six months to 24th June 2001: profit £4,695,000, year to 25th December 2001: profit £21,446,000).

Earnings per share on revenue activities exclude the loss on the sale of investment properties and exceptional items and associated tax charge and minority interests thereon, of £8,255,000 (six months to 24th June 2001: profit £259,000, year to 25th December 2001: profit £9,579,000).

9. Property assets

	Fixed property assets £000	Current property assets £000	Total property assets £000
Cost or valuation			
As at 25th December 2001	703,338	28,126	731,464
Refurbishment and development expenditure	280	4,757	5,037
Amortisation of short leasehold properties	(101)	–	(101)
Disposals	(641,867)	(17,725)	(659,592)
Revaluation	432	–	432
As at 30th June 2002	62,082	15,158	77,240

Fixed property assets at 30th June 2002 as per balance sheet	62,082
UITF 28 adjustment at 30th June 2002 included in current assets	523
Total fixed property assets as valued below	62,605

The fixed property assets were valued at 30th June 2002, as follows:

		£000
DTZ Debenham Tie Leung	Open market value	37,060
Insignia Richard Ellis Limited	Open market value	18,675
Directors	Open market value	220
Directors	Net sale proceeds of properties sold after 30th June 2002	6,650
		62,605

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

10. Associates

	The Mall Partnership £000	The Junction Partnership £000	Total to 30th June 2002 £000	Total to 24th June 2001 £000
Profit and loss account				
Turnover	19,471	8,827	28,298	–
Operating profit	13,764	7,000	20,764	–
Net interest payable	(5,861)	(4,628)	(10,489)	–
Profit for the period	7,903	2,372	10,275	–
Balance sheet				
Investment properties	685,550	336,180	1,021,730	–
Current assets	28,036	8,532	36,568	–
Current liabilities	(27,644)	(8,180)	(35,824)	–
Borrowing due in more than one year	(328,559)	(169,098)	(497,657)	–
Net assets	357,383	167,434	524,817	–
Group share				
Percentage interest at period end	50.0%	50.0%		
Group share of				
Operating profit	6,882	3,500	10,382	–
Interest	(2,931)	(2,314)	(5,245)	–
Profit for the period	3,951	1,186	5,137	–
Revaluation surplus for the period	8,652	5,711	14,363	–
Associate net assets	178,691	83,717	262,408	–
Unrealised profit on sale of property to associate	(422)	–	(422)	–
Group share of associates net assets	178,269	83,717	261,986	–

11. Joint ventures

	Xscape Milton Keynes Partnership £000	Xscape Castleford Partnership £000	Capital Hill Partnership £000
Profit and loss account			
Turnover	1,818	–	1,044
Operating profit	1,472	–	1,021
Net interest (payable)/receivable	(1,684)	–	7
(Loss)/profit for the period	(212)	–	1,028
Balance sheet			
Investment properties	71,810	12,443	38,480
Current assets	7,559	227	1,356
Current liabilities	(3,812)	(71)	(878)
Borrowing due in more than one year	(46,800)	(4,000)	–
Net assets	28,757	8,599	38,958
Group share			
Percentage interest at period end	50.0%	66.7%	50.0%
Group share of			
Turnover	909	–	522
Operating profit	736	–	511
Interest	(842)	–	4
(Loss)/profit for the period	(106)	–	515
Revaluation (deficit)/surplus for the period	(264)	–	472
Joint venture net assets	8,653	5,733	19,481

11. Joint ventures continued

	Auchinlea Partnership £000	Sauchiehall Centre Limited £000	Others £000	Total to 30th June 2002 £000	Total to 24th June 2001 £000
Profit and loss account					
Turnover	377	1,312	10,148	14,699	4,181
Operating profit	273	1,308	934	5,008	662
Interest (payable)/receivable	(289)	(994)	(351)	(3,311)	(2,403)
(Loss)/profit for the period	(16)	314	583	1,697	(1,741)
Balance sheet					
Investment properties	29,350	45,222	7,625	204,930	150,785
Current assets	682	3,301	13,246	26,371	22,970
Current liabilities	(570)	(7,535)	(5,597)	(18,463)	(21,873)
Borrowing due in more than one year	(11,000)	(34,501)	(12,200)	(108,501)	(85,686)
Net assets	18,462	6,487	3,074	104,337	66,196
Group share					
Percentage interest at period end	50.0%	50.0%	50.0%		
Group share of					
Turnover	189	656	5,074	7,350	2,091
Operating profit	137	654	467	2,505	331
Interest	(145)	(497)	(176)	(1,656)	(1,202)
Profit/(loss) for the period	(8)	157	291	849	(871)
Revaluation (deficit)/surplus for the period	3,939	2,676	(196)	6,627	645
Joint venture net assets	9,231	3,243	1,635	47,976	27,882

12. Net assets per share

Net assets per share have been calculated on 61,711,015 Ordinary shares of 10p each (24th June 2001: 78,855,975, 25th December 2001: 78,855,975) in issue at 30th June 2002 and have been based on net assets attributable to shareholders of £251,945,000 (24th June 2001: £295,476,000, 25th December 2001: £287,241,000).

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 74,381,927 Ordinary shares of 10p each and have been based on adjusted net assets attributable to shareholders of £276,214,000 (24th June 2001 restated: £319,654,000, 25th December 2001 restated: £311,464,000) by adding the £24,268,000 (24th June 2001: £24,178,000, 25th December 2001: £24,223,000) balance sheet value of the CULS.

Triple net asset value per share for 30th June 2002 is 356.0p (24th June 2001 restated: 329.6p, 25th December 2001 restated: 328.9p). Triple net asset value has been adjusted for contingent deferred tax at 30th June 2002 of £10,243,000 (24th June 2001 restated: £17,257,000, 25th December 2001 restated: £8,815,000) and the fair value adjustment of fixed rate debt instruments to market value at 30th June 2002 (note 15) of £1,170,000 (24th June 2001: £1,548,000, 25th December 2001: £2,499,000).

13. Reserves

	Share capital £000	Share premium £000	Capital redemption reserve £000	Property revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year	7,886	161,927	2,535	82,988	33,775	289,111
Prior year adjustment – FRS 19	–	–	–	–	(1,870)	(1,870)
Revised balance as at 25th December 2001	7,886	161,927	2,535	82,988	31,905	287,241
Issue of share capital	40	766	–	–	–	806
Share buy back and cancellation	(1,755)	–	1,755	–	(50,845)	(50,845)
Revaluation of investment properties and other fixed assets	–	–	–	11	–	11
Share of revaluation surplus of joint ventures and associates	–	–	–	20,990	–	20,990
Tax on revaluation surplus realised in the period	–	–	–	–	(1,574)	(1,574)
Realisation of suplus on disposal of investment properties	–	–	–	(38,716)	38,716	–
Profit retained in the period	–	–	–	–	(4,684)	(4,684)
At end of period	6,171	162,693	4,290	65,273	13,518	251,945

14. Reconciliation of net cash inflow from operating activities

	(Unaudited) 6 months to 30th June 2002 £000	(Restated) (Unaudited) 6 months to 24th June 2001 £000	(Restated) (Audited) Year to 25th December 2001 £000
Group operating profit	5,761	22,588	41,249
Profit on sale of trading and development properties	(167)	(35)	(183)
	5,594	22,553	41,066
Depreciation of other fixed assets	174	218	486
Amortisation of short leasehold properties	101	86	202
Amortisation of tenant incentives	344	1,100	1,741
Profit on disposal of fixed assets	(5)	(31)	(74)
Decrease/(increase) in trade debtors, other debtors and prepayments	(6,087)	7,567	3,564
(Decrease)/increase in trade creditors, other creditors, taxation and social security and accruals	(13,323)	(11,166)	(8,753)
Net cash flow from operating activities	(13,202)	20,327	38,232

15. 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 30th June 2002 and the rates historically committed; namely the fair value adjustment.

	(Unaudited) As at 30th June 2002 £000	(Unaudited) As at 24th June 2001 £000	(Audited) As at 25th December 2001 £000
Book value and notional principal	190,542	198,642	198,642
Fair value	(192,213)	(200,854)	(202,212)
Fair value adjustment attributable to the Group	(1,671)	(2,212)	(3,570)
Net of tax at 30%	(1,170)	(1,548)	(2,499)
Effect on fully diluted net asset per share	(1.6)p	(1.7)p	(2.7)p

16. Copies of the Interim Report

Copies of the Interim Report are available from the Company's registered office at 10 Lower Grosvenor Place, London SW1W 0EN.

2002 Interim Dividend Timetable

Record date – 4th October
Last day to receive mandates – 4th October
Dividend warrants/tax vouchers posted – 17th October
Dividend payment date/shares purchased – 18th October
Certificates/purchase statements despatched – 31st October
CREST accounts credited – 1st November

Designed and produced by Radley Yeldar (London)

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