Capital& Regional

Capital & Regional
Interim Report for the
six months ended 30 June 2012

Our business

Capital & Regional is a specialist property company focusing on retail investments in the UK. The Group uses in-house asset and property management teams to maximise the returns from the properties for investors and tenants. We ensure that our property assets adapt to the ever changing behaviour of retailers and shoppers as they embrace technological advances, in particular the internet and related mobile technologies.

The Group has two investments in well-established UK retail funds; a joint venture with a German retail property portfolio; and a number of interests in leisure properties.

Our business model

We operate an asset business that invests in retail assets in the UK and Germany and leisure assets in the UK.

We operate an earnings business that generates fees from the asset and property management platforms for the UK and German property investments and profits from an indoor skiing business.

Our strategy

Our Group strategy is to:

- Focus our business on being a specialist UK retail property company with an emphasis on growth in net asset value, whilst generating attractive income and cash returns.
- Take significant stakes in UK retail property investments and leverage our in-house property and asset management skills.
- Deliver our asset management and development pipeline to realise value in the existing portfolios.
- Realise the optimal value from our non-core investments.

Pictured below:
Food Market at The Mall, Blackburn

Front cover picture:
The Mall, Blackburn

John Clare Chairman

"Growth in recurring profitability reflects the underlying resilience of the business. This strong performance has cushioned the impact of softening values in parts of the German portfolio and shopping centres outside of Greater London and the South East. In challenging markets, management is making progress in recycling capital from non-core assets. Whilst degearing remains the immediate priority, the Board will consider how best to maximise shareholder returns once the disposal programme is more advanced."

Forward looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of government regulators and other risk factors such as the Group's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Group operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this document. The Group does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Group should not be relied upon as a guide to future performance.

See further information online:
capreg.com

Business review

Condensed financial statements

Other information

Key events

Financial

- Robust recurring pre-tax profit of £9.2 million, up 5% from the first half of 2011.
- Fall in net assets and EPRA net assets from the 2011 year end of £0.03 per share to £0.53, and £0.60, respectively, primarily as a result of value adjustments in The Mall Fund and the German portfolio 4 joint venture.
- See-through net debt falling to 63% compared to 65% at 2011 year end and Group net debt increasing to 35% compared to 24% at 2011 year end mainly due to the acquisition of Redditch and the purchase of additional units in The Mall, increasing the Group's interest to 20.15%.
- Acquisition of 20% interest in the Kingfisher Shopping Centre in Redditch, with partners Oaktree Capital.
- The German portfolio 4 joint venture debt put into special servicing in July 2012 as it did not meet the required loan to value test. The overall impact of the German portfolio 4 property devaluation and impairment resulted in a Group loss of £9.9 million at 30 June 2012.

NAV per share	NAV impact	See-through net debt
53 pence	**(5)%**	**63%**
(3) pence since Dec 2011		(2)% since Dec 2011

EPRA NAV per share	Recurring pre-tax profit	Group net debt
60 pence	**£9.2m**	**35%**
(3) pence since Dec 2011	+5% since June 2011	+11% since Dec 2011

Operational

- Resilience of UK shopping centres demonstrated by footfall outperforming the national index by 2.6% and stable year on year occupancy of 94.6% at 30 June 2012.
- Delivery of 34 new lettings at 1.5% below ERV, and 10 lease renewals at 0.2% above ERV for UK shopping centres.
- All three UK funds outperformed the IPD index.
- Significant step forward for asset management and development with work on site commenced at Thurrock, Hemel Hempstead redevelopment gaining planning permission and a number of pre-lets finalised and key terms agreed to enable the development of Waterside Lincoln.

UK total occupancy	Germany occupancy	UK total passing rent
95.1%	**98.7%**	**£150.2m**
(0.7)% since Dec 2011	(0.3)% since Dec 2011	(2.0)% since Dec 2011

UK total return	Germany total return	Germany passing rent
+1.6%	**+3.5%**	**€32.4m**
	(excluding portfolio 4)	unchanged since Dec 2011

Chief Executive's statement

Hugh Scott-Barrett Chief Executive

Key performance indicators

The key performance indicators we use to measure our performance against our strategy and objectives are:

	Six months to 30 June 2012	Year to 30 December 2011	Six months to 30 June 2011
Investment returns			
Net assets per share	**£0.53**	£0.56	£0.56
EPRA net assets per share	**£0.60**	£0.63	£0.63
Return on equity	**(5.0)%**	11.9%	12.0%
Total shareholder return	**(15.9)%**	(3.8)%	19.8%
Financing			
Group net debt	**£64.5m**	£47.2m	£47.0m
Net debt to equity ratio	**35%**	24%	24%
See-through debt to property value[1]	**70%**	73%	75%
See-through net debt to property value[1]	**63%**	65%	65%
Profitability			
Recurring pre-tax profit	**£9.2m**	£16.4m	£8.8m
(Loss)/profit before tax	**£(9.9)m**	£23.4m	£21.2m
Basic earnings per share	**£(0.03)**	£0.06	£0.06
Property under management	**£2.5 billion**	£2.5 billion	£2.7 billion

[1] See-through debt and see-though net debt divided by IFRS property value

Operating review

During the first half of 2012 we have delivered a resilient operational performance in very challenging market conditions for our tenants. This performance continues to reflect the overall affordability and well positioned nature of our property.

We have presented our operating data as follows: (i) UK shopping centres: The Mall Fund, Kingfisher Redditch and Waterside Lincoln; (ii) UK retail parks: The Junction Fund; (iii) UK leisure: X-Leisure Fund, Great Northern, Xscape Braehead and Hemel Hempstead; and (iv) Germany: German joint venture portfolios, excluding portfolio 4. Additional information is available individually for The Mall, The Junction, X-Leisure and the German portfolio in the Fund portfolio information (100% figures) section.

Rental income

Passing rent (like for like)	**30 June 2012 £m**	30 December 2011 £m	30 June 2011 £m
Shopping centres[1]	**81.6**	84.6	83.1
Retail parks	**17.3**	17.0	16.5
Leisure	**51.3**	51.6	51.7
UK total	**150.2**	153.2	151.3
	€m	€m	€m
Germany	**32.4**	32.4	32.4

[1] Shopping centres excludes The Mall Norwich which was sold on 12 July 2012

At 30 June 2012 passing rent declined in UK shopping centres by £3.0 million compared to the 2011 year end principally due to the net impact of administrations of £2.4 million combined with a reduction in seasonal income from temporary tenants of £0.7 million. At 30 June 2012 passing rent declined by 1.8% compared to 30 June 2011, with shopping centres based in Greater London only declining by 0.1%. Passing rents remained stable across the retail parks, leisure properties and Germany during the first half of 2012.

At 30 June 2012 there was £5.8 million of contracted rent in the UK that is not included in the passing rent figures above, of this £3.3 million related to shopping centres, £1.0 million to retail parks and £1.5 million to leisure.

Chief Executive's statement continued

Administrations

	Shopping centres		Retail parks		Leisure		**UK total**		**Germany**	
	Units	£m[4]	Units	£m[4]	Units	£m[4]	**Units**	**£m[4]**	**Units**	**€m[4]**
Total administrations[1]	49	4.8	2	0.3	3	0.4	**54**	**5.5**	**4**	**0.2**
Re-let units	(23)	(1.8)	(1)	(0.2)	–	–	**(24)**	**(2.0)**	**–**	**–**
Units still trading	(8)	(0.6)	(1)	(0.1)	(1)	(0.3)	**(10)**	**(1.0)**	**(4)**	**(0.2)**
Rent reduction[2]		(0.9)		–		–		**(0.9)**		**–**
Closed units at 30 June 2012[3]	**18**	**1.5**	**–**	**–**	**2**	**0.1**	**20**	**1.6**	**–**	**–**

[1] Shopping centres excludes The Mall Norwich which had total administrations of 7 units with a passing rent of £0.9 million
[2] Rent reduction applied to re-let units that were in administration or to enable units to continue trading
[3] The closed units as a result of administrations, excluding The Mall Norwich which was sold on 12 July 2012
[4] The passing rent impact for total administrations and units still trading and contracted rent impact for re-let units

During the six months to 30 June 2012, UK shopping centres were adversely impacted by the administrations of Peacocks, Bon Marche, La Senza, Game Group, Clinton Cards and Birthdays. Our strategy has been to maintain occupancy and vibrancy within the schemes. Total administrations, excluding The Mall Norwich, impacted on 49 units in the UK shopping centres with a passing rent of £4.8 million. At 30 June 2012, 31 of these units have been successfully re-let or have continued trading, but with a rent reduction of £0.9 million, with only 18 units closed as a result of administrations, with a passing rent impact of £1.5 million.

Since 30 June 2012, of the 18 closed units, nine are now let or under offer and three are being incorporated into asset management opportunities.

There has been no significant impact from administrations across the retail parks, leisure properties and Germany during the first half of 2012.

Since 30 June 2012 there have been no significant administrations that have impacted on the properties.

New lettings, renewals and rent reviews

	Shopping centres[2]	Retail parks	Leisure	**UK total**	**Germany**
Number of new lettings[1]	34	1	10	**45**	**8**
Rent from new lettings (£m)	2.8	0.2	0.5	**3.5**	**0.6**
Comparison to ERV (%)	(1.5)	1.1	(7.1)	**(2.0)**	**n/a**
Renewals settled	10	–	9	**19**	**9**
Revised rent (£m)	1.0	–	0.1	**1.1**	**2.8**
Comparison to ERV (%)	0.2	–	(9.3)	**(0.8)**	**n/a**
Number of rent reviews settled	37	5	12	**54**	**–**
Revised passing rent (£m)	2.3	1.6	5.3	**9.2**	**–**
Uplift to previous rent (%)	0.1	–	0.4	**0.5**	**–**
Comparison to ERV (%)	7.0	0.6	19.4	**13.0**	**n/a**

[1] Excluding the temporary re-letting of the TJ Hughes space in The Mall Maidstone to Beales on a flexible basis
[2] Shopping centres excludes The Mall Norwich which was sold on 12 July 2012

During the six months to 30 June 2012, there have been 34 new lettings in the UK shopping centres for contracted rent of £2.8 million, which are 1.5% below ERV, with six of these lettings having additional turnover rents depending upon trading performance. There have been 10 renewals at 0.2% above ERV, and 37 rent reviews settled at 7.0% above ERV in the shopping centres which is supportive of the ERV.

At 30 June 2012 there were 111 temporary lettings in the UK shopping centres, excluding The Mall Norwich, of one year or less with a net rent of £0.6 million compared to an ERV of £5.6 million.

Significant highlights during the first half of 2012 include:

Shopping centres	
The Mall, Luton	New letting to H&M which involves the amalgamation of five units to create a new 22,500 sq ft unit. An agreement has been reached with another major fashion retailer to take an 11,000 sq ft unit. This will transform poorly configured space into a valuable retailing location whilst strengthening the scheme as the prime retail destination within the town.
The Mall, Wood Green	New lettings to Tiger Retail and Schuh and an extension of the TK Maxx store.
The Mall, Blackburn	Extension to the Debenhams anchor store is in solicitors hands.
The Mall, Maidstone	Temporary letting to department store Beales who have taken the former TJ Hughes space on a flexible basis. This will bring increased vibrancy to the scheme and reduce the void costs. This deal has the potential to result in a permanent letting, but in the interim provides a window to explore all the asset management opportunities available. Letting of expanded store to Iceland and new lettings to The Entertainer and Shoezone.
The Mall, Sutton Coldfield	New lettings to Paperchase and Barclays Bank.
The Mall, Camberley	New letting to Trespass.
The Mall, Walthamstow	New lettings to Carphone Warehouse, JD Sports and Deichmann Shoes and a lease renewal with New Look.
The Mall, Uxbridge	New lettings to Trespass and Per Lui.
Kingfisher Redditch	Letting to The Entertainer in solicitors hands.
Waterside Lincoln	Letting to Office Shoes and terms with two fashion anchors for the reconfiguration of the scheme are well progressed.
Retail parks	
The Junction, Thurrock	The former UCI at Lakeside Extra has been demolished to allow the creation of three new retail units with a total of 30,000 sq ft of Open A1 retail space. One unit has been let to Smyths Toys and another to Poundland conditional upon a variation of the planning consent. Terms have also been Board approved, for the letting of the remaining unit of the redevelopment to a high profile retailer. Target completion is forecast for the fourth quarter of 2012.
The Junction, Telford	Letting to The Gap.
Leisure	
X-Leisure, Milton Keynes	Unconditional letting of the casino to Aspers.
X-Leisure, Aberdeen	New letting to Bella Italia.
X-Leisure, Castleford	New lettings to Giraffe and Primo Gourmet Hotdogs.
X-Leisure, Leeds	Planning consent granted for an Aldi supermarket.
X-Leisure, North Finchley	Extension of the McDonalds unit completed and agreement for lease exchanged with Wagamama.
X-Leisure, Parrswood	New letting to Bella Italia.
Great Northern	Letting to All Star Lanes.
Germany	
Portfolio 3, Sinzheim	Lease extension by five years to March 2018 by Real.
Portfolio 3, Lauchhammer	New 10 year letting to Toom.

Chief Executive's statement continued

Occupancy levels

Occupancy (like for like)	30 June 2012 %	30 December 2011 %	30 June 2011 %
Shopping centres[1]	**94.6**	95.7	95.0
Retail parks	**95.2**	96.4	92.4
Leisure	**95.9**	95.6	95.0
UK total	**95.1**	95.8	94.7
Germany	**98.7**	99.0	98.5

[1] Shopping centres excludes The Mall Norwich which was sold on 12 July 2012

At 30 June 2012, occupancy within the UK properties has improved by 0.4% compared to 30 June 2011, but has fallen by 0.7% compared to 30 December 2011. Occupancy within the London schemes proved especially resilient.

UK shopping centre occupancy of 94.6% at 30 June 2012 declined by 1.1% compared to 30 December 2011 due to administrations and the termination of temporary seasonal tenancies which reduced occupancy by 0.7%. Occupancy remained stable compared to 30 June 2011. Included within the 94.6% occupancy for shopping centres is 1.0% related to units that were in administration.

UK retail park occupancy of 95.2% at 30 June 2012 declined by 1.2% compared to 30 December 2011 as a unit at Bristol became vacant as a consequence of the termination of a temporary tenancy.

UK leisure and Germany occupancy at 30 June 2012 remained stable compared to 30 December 2011 and 30 June 2011.

Footfall

In the UK shopping centres, excluding The Mall Norwich, footfall has outperformed the national index by 2.6%, with a decline of 1.8% over the first seven months of the year compared to a decline of 4.4% in its national benchmark index, demonstrating the continuing resilience of the portfolio.

Cash collection

Rent collection rates in the UK shopping centres, excluding The Mall Norwich, continue to be strong, with 98.6% of rent being paid within 30 days of the due date.

IPD index performance

	30 June 2012 %	30 December 2011 %
The Mall		
Property level returns[1]	**(0.5)**	6.3
IPD shopping centre index	**(0.8)**	5.0
The Junction		
Property level returns[1]	**1.8**	10.0
IPD retail parks index	**0.4**	8.1
X-Leisure		
Property level returns[1]	**5.1**	14.2
IPD leisure index	**4.8**	11.3

[1] As ratified by IPD

Property valuations

30 June 2012	Property valuation £m	Capital return %	Total return %	Initial yield %	Equivalent yield %
Shopping centres	1,092	(3.8)	(0.5)	7.1	7.7
Retail parks	285	(1.1)	1.6	5.6	6.9
Leisure	709	1.3	4.7	6.7	7.5
UK total	**2,086**	**(1.7)**	**1.6**	**6.7**	**7.5**
Germany[1]	**337**	**(0.1)**	**3.5**	**6.6**	**n/a**
Total	**2,423**	**(1.4)**	**1.8**	**6.7**	**n/a**

[1] Excluding German portfolio 4

There was inward net initial yield shift of eight basis points in UK shopping centres driven by properties located in Greater London. Property values were impacted by a reduction in net valued income as a result of administrations. The Greater London schemes saw lower declines in net valued income.

There was an outward net initial yield shift of eight basis points for UK retail parks which marginally reduced property value.

In UK leisure there was inward net initial yield shift of four basis points combined with an increase in net valued income to generate good total returns.

The German valuation, excluding portfolio 4, was stable with an outward net initial yield shift of two basis points.

Asset management and development pipeline

During the first half of 2012 progress has been made on our asset management and development pipeline as summarised below:

Shopping centres	
Waterside Lincoln	The strategy is to reposition the scheme to be a major fashion anchored offer, through a reconfiguration and redevelopment of the rear half of the centre and a wider improvement in the tenant and income profile for the remainder of the centre. Following lettings to an Apple franchise and a full refit of Topshop earlier in the year, the Barratts on the key entrance unit has now been replaced with Office Shoes on a 10 year lease. Terms have been agreed and with solicitors for three national retailers already in the centre to either regear or relocate to improved units which should be complete by the end of September 2012. The development plans have moved forward and terms have been agreed with Next to take a 14,000 sq ft unit and terms for a 23,000 sq ft unit for a second fashion anchor are well progressed. Conditional agreements for lease are expected to be in place with both anchors before the end of the year. Terms have been agreed and with solicitors for the operator of the existing food court to take a riverside catering unit that will be created as part of the reconfiguration works. A conditional agreement for lease should be secured before the end of the year. Scheme designs are now broadly settled and a planning application should be submitted shortly to enable construction to commence in the first half of 2013.
The Mall, Walthamstow	Retailer demand remains strong for the 65,000 sq ft extension and terms have been agreed on 50% by area of the development. Heads of terms for development are in place with the local authority and the proposed extension has been incorporated into the Area Action Plan consultation document. Development activity has been supported by new lettings in the existing scheme to Carphone Warehouse, JD Sports and Deichmann Shoes and a lease renewal with New Look.
Kingfisher Redditch	The 920,000 sq ft shopping centre was acquired in early May 2012 and the strategy is to reposition the scheme through tenant mix rebalancing, improved marketing and greater penetration to different social groups. Good early progress has been made with the subdivision of the former TJ Hughes unit with offers received on two of the four proposed restaurants which would lie adjacent to the existing cinema. Utilising our asset and property management platform, plans have been implemented to drive cost reduction at the scheme which will drive net rental income in 2013.
Retail parks	
The Junction, Thurrock	Construction work has commenced at Lakeside Extra for the redevelopment of the former cinema to create three new retail units with a total of 30,000 sq ft of Open A1 retail space. One unit has been let to Smyths Toys and another to Poundland. Solicitors are instructed with an open A1 retailer on the remaining unit and completion is scheduled for early November 2012 allowing Smyths Toys to be open prior to Christmas.
The Junction, Paisley	Solicitors are instructed with Dunelm and Wren Kitchens on 30,000 sq ft and negotiations are continuing for the remaining 23,500 sq ft of the consented 53,500 sq ft terrace extension to our current scheme. Terms have been agreed with Lidl on the existing scheme to take a long leasehold on a redevelopment of the old Menzies unit.
Leisure	
Hemel Hempstead	Planning consent was granted on 13 March 2012 for the comprehensive redevelopment and re-branding of the 160,000 sq ft scheme replacing the swimming complex and nightclubs with family dining, adventure play areas and first floor gym with the ice rink being retained. There has been significant pre-let progress with terms agreed for five of the eight proposed new restaurants and terms agreed with a specialist leisure operator for the new gym, ice rink and adventure play area. Options for the remaining space include 10 pin bowling, bingo and family based activities.

Chief Executive's statement continued

German portfolio

The Group's commercial retail property portfolio in Germany is in a joint venture with AREA Property Partners and is held in six individual and separate joint venture portfolios.

German portfolios comparison

There are significant differences between portfolio 4 and the other five portfolios which are stronger due to the following key factors:

- Longer weighted average lease lengths of 7.8 years compared to portfolio 4 of 5.4 years;
- Higher occupancy levels of 98.7% compared to portfolio 4 of 91.5%;
- Anchor tenants which are primarily major food retailers with strong covenants;
- Located primarily in western Germany (93%) whilst portfolio 4 consists of smaller properties in more challenging locations with 29% in the east of Germany;
- Institutional type properties, with an average property value of €16.1 million compared to portfolio 4 with €7.7 million; and
- Lower gearing with an average loan to value of 74% compared to portfolio 4 of 102%.

The key portfolio property data at 30 June 2012 is as follows:

			Property sizes						
Portfolio	Occupancy %	Weighted average lease length Years	Total #	>€50m #	€50m – €20m #	€10m – €20m #	<€10m #	Average property value €million	Passing rent €million
1	99.3	6.8	6	–	–	3	3	9.1	4.6
2	98.4	4.8	3	1	1	–	1	30.7	6.8
3	98.9	10.7	9	–	2	4	3	16.0	10.8
5	100.0	8.2	4	–	1	2	1	14.2	4.6
6	97.0	6.2	4	–	2	1	1	17.6	5.6
	98.7	7.8	26	1	6	10	9	16.1	32.4
4	91.5	5.4	20	–	3	2	15	7.7	13.6
Total	96.7	7.0	46	1	9	12	24	12.4	46.0

Portfolio 4 events

During the first half of 2012 there was a fall in property values within portfolio 4 of €21.5 million (Group share £8.6 million). This fall was due to the continued shortening of a significant lease on a large property, concerns over DIY, furniture and discounter tenants that anchor a majority of the properties in the portfolio, sentiment towards properties located in eastern Germany which account for 29% of the portfolio value, and an increase in the supply of secondary assets in the German market of a similar type to those in portfolio 4.

This compared to a combined property devaluation of only €0.6 million in the other five portfolios due to the fundamentally stronger nature of their assets as described above.

The movement in German portfolio properties is as follows:

Portfolio	**Valuation 30 June 2012 €million**	Valuation 30 December 2011 €million	Valuation movement €million	**NIY 30 June 2012 %**	NIY 30 December 2011 %
1	**54.3**	55.3	(1.0)	**6.9**	6.8
2	**92.2**	92.7	(0.5)	**6.3**	6.3
3	**143.6**	144.3	(0.7)	**6.4**	6.4
5	**56.7**	58.3	(1.6)	**6.8**	6.8
6	**70.5**	67.3	3.2	**7.0**	7.0
	417.3	417.9	(0.6)	**6.6**	6.6
4	**154.5**	176.0	(21.5)	**8.4**	6.7
Total	**571.8**	593.9	(22.1)	**7.1**	6.6

The property devaluation in portfolio 4 resulted in the €157.9 million of portfolio 4 debt not meeting the required 93% loan to value covenant test that was required to extend the loan into the second year of its extension period. As a result the loan maturity date was 16 July 2012 and the loan has been placed into special servicing by the loan servicer. A standstill is in place with the lenders until 24 September 2012 during which time a business plan will be agreed to realise value for the various stakeholders. As part of this plan a further standstill is expected to be agreed. The securitised loan is non-recourse to the Group or any properties in the other German joint venture portfolios. At 30 June 2012, the Group made a provision for impairment of £3.3 million to write down the remaining carrying value of its investment in portfolio 4 joint venture to £nil. The other portfolios are covenant compliant at 30 June 2012.

In December 2010, the Group and our joint venture partner purchased junior debt with a face value of €18.0 million which is included within the total portfolio 4 debt of €157.9 million. At 30 June 2012, the Group's share of the junior debt is held as a loan receivable due from portfolio 4 at an amortised cost of £5.4 million compared to a full face value of £7.3 million (Group share). This carrying value is based upon the current status of discussions with the special servicer and the anticipated business plan to realise value over a reasonable timeframe.

Portfolio 4 impact

Portfolio 4 generated a loss after tax of £6.6 million (Group share) driven primarily by the property devaluation and, combined with the impairment of the remaining investment of £3.3 million, resulted in an overall impact on the Group of a loss of £9.9 million for the first half of 2012. This impact was the primary reason for the overall £10.0 million fall in Group net asset value from 30 December 2011 to 30 June 2012.

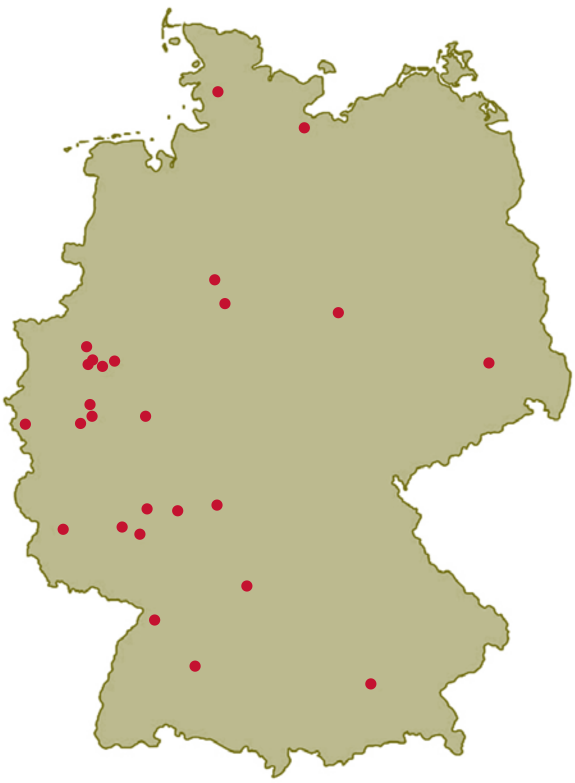
Portfolio 4 exposure

As the equity investment has been impaired to £nil the only remaining exposure the Group has to portfolio 4 is the junior debt loan receivable of £5.4 million. The recoverability of this junior debt loan receivable will depend on progress with the special servicer and the final agreed business plan and timeframe used to realise value. If the timeframe over which assets are realised is accelerated, or the value at which assets are realised is otherwise lower than anticipated, the amount of the junior debt realised will be lower than the current carrying value.

Portfolio 4 strategy

Our strategy for portfolio 4 is to work with the special servicing team, in our position as the junior debt holder and as property and asset manager through Garigal, to develop a business plan to realise full value for the various stakeholders over an optimal timeframe.

Pictured below:
German properties excluding portfolio 4



Chief Executive's statement continued

Financial review

Investment returns

Net assets per share were £0.53 at 30 June 2012, down £0.03, or 5% since 30 December 2011, and EPRA net assets per share were £0.60, down £0.03, or 5% since 30 December 2011. The 15.9% fall in total shareholder return was driven by a fall in share price during the continued turbulent period for UK equity markets.

To provide a greater understanding of the composition of the business, the Group presents its balance sheet in two separate ways, with the "statutory" balance sheet following the accounting and statutory rules, and the "see-through" balance sheet showing the Group's proportionate economic exposure to the different property portfolios. These were:

	See-through			**Statutory 30 June 2012**	See-through			Statutory 30 December 2011
	Property £m	**Debt £m**	**Other £m**	**£m**	Property £m	Debt £m	Other £m	£m
The Mall[1]	**197.9**	**(131.2)**	**1.0**	**67.7**	184.8	(120.3)	0.4	64.9
Germany[2]	**168.1**	**(125.1)**	**0.9**	**43.9**	247.8	(197.5)	4.4	54.7
X-Leisure	**67.7**	**(35.4)**	**(0.3)**	**32.0**	66.5	(35.4)	(0.6)	30.5
The Junction	**36.4**	**(21.7)**	**1.8**	**16.5**	36.7	(21.8)	2.2	17.1
Great Northern	**71.3**	**(61.2)**	**(0.7)**	**9.4**	71.5	(61.9)	(1.7)	7.9
Kingfisher Redditch	**26.4**	**(17.2)**	**–**	**9.2**	–	–	–	–
Waterside Lincoln	**13.1**	**(6.8)**	**0.5**	**6.8**	13.0	(6.8)	0.4	6.6
Xscape Braehead	**24.1**	**(22.8)**	**3.2**	**4.5**	24.1	(22.8)	2.9	4.2
Hemel Hempstead	**8.4**	**(4.5)**	**0.4**	**4.3**	8.3	(5.3)	0.0	3.0
FIX UK[3]	**–**	**–**	**–**	**–**	26.1	(25.2)	0.1	1.0
Other net assets	**0.2**	**(4.6)**	**(3.9)**	**(8.3)**	0.2	–	5.9	6.1
Net assets	**613.6**	**(430.5)**	**2.9**	**186.0**	679.0	(497.0)	14.0	196.0

1 The Group increased the holding in The Mall from 18.16% to 20.15% during the six months to 30 June 2012
2 The equity investment in German portfolio 4 has been impaired to £nil which has resulted in the removal of see-through property and debt related to this investment at 30 June 2012. See note 8c for further disclosure. There is a £5.4 million loan receivable (B note) due from German portfolio 4 at 30 June 2012
3 The equity investment in FIX UK has been impaired to £nil which has resulted in the removal of see-through property and debt related to this investment at 30 June 2012. See note 8b for further disclosure

Financing

The Group net debt to equity ratio increased from 24% to 35% during the first half of 2012, as a consequence of the £5.6 million purchase of additional units in The Mall and the £10.6 million acquisition of the 20% interest in the Kingfisher Shopping Centre in Redditch, combined with the fall in shareholders' equity of £10.0 million offset by loan repayments of £1.5 million. A summary of the movements in Group and off balance sheet debt during the period is set out below:

	Group debt £m	Off balance sheet debt £m	**See-through debt £m**
At 30 December 2011	67.2	429.8	**497.0**
Investment in Kingfisher Redditch	3.6	17.2	**20.8**
Increased investment in The Mall	–	13.2	**13.2**
Other drawdowns	1.0	–	**1.0**
Other repayments	(1.5)	(5.1)	**(6.6)**
Impairment of German portfolio 4[1]	–	(63.2)	**(63.2)**
Impairment of FIX UK[2]	–	(25.0)	**(25.0)**
Foreign exchange	–	(6.7)	**(6.7)**
At 30 June 2012	**70.3**	**360.2**	**430.5**

1 The equity investment in German portfolio 4 has been impaired to £nil at 30 June 2012 and the see-through debt removed. See note 8c for further disclosure
2 The equity investment in FIX UK has been impaired to £nil at 30 June 2012 and the see-through debt removed. See note 8b for further disclosure

Group debt

Group debt increased by £3.1 million to £70.3 million at 30 June 2012 (30 December 2011: £67.2 million). This increase was primarily due to a £3.6 million draw down on the core revolving credit facility to partially fund the investment in Redditch and a £1.0 million draw down for working capital purposes, offset by a £0.8 million repayment on the Hemel Hempstead loan and £0.7 million of surplus cash generated by the Great Northern property being used to pay down the relevant loan via a cash sweep. The breakdown of Group debt and net debt at 30 June 2012 was as follows:

30 June 2012	Debt[1] £m	Loan to value[3] %	Net debt to value[3] %	Average interest rate[2] %	Fixed %	Duration to loan expiry Years
Core revolving credit facility	**4.6**	n/a	n/a	3.68	–	1.2
Great Northern	**61.2**	85	80	6.31	97	1.3
Hemel Hempstead	**4.5**	54	50	3.55	–	0.3
Group debt	**70.3**			5.96	84	1.2
Cash and cash equivalents	**(5.8)**					
Group net debt	**64.5**					

[1] Excluding unamortised issue costs
[2] In the case of variable rate loans, based on LIBOR at 30 June 2012 plus the appropriate margin
[3] Debt and net debt divided by investment property at fair value and trading property at the lower of cost and net realisable value

The core revolving credit facility was drawn by £4.6 million at 30 June 2012 (30 December 2011: £nil). The Hemel Hempstead debt will be fully repaid on 30 September 2012 through an additional draw down on the core revolving credit facility.

Terms have been agreed and documentation is well advanced for the core revolving credit facility to be extended by four years to 31 July 2016. The credit facility will be reduced from £58.0 million to £25.0 million to minimise the recurring non-utilisation expense and better reflect the funding headroom the Group requires. Terms have also been agreed and documentation is well advanced for the Great Northern loan facility to be extended by one year to 10 October 2014 and the facility will be reduced to £57.6 million. These extensions are expected to be completed prior to the end of August 2012.

Off balance sheet debt

Off balance sheet debt fell by £69.6 million to £360.2 million at 30 June 2012 (30 December 2011: £429.8 million). This fall was due to the removal of see-through debt for German portfolio 4 of £63.2 million and for FIX UK of £25.0 million following the impairment of both investments, £5.1 million debt repayments and a £6.7 million foreign exchange translation gain on Germany, offset by a £17.2 million share of the loan drawn down related to the acquisition of Kingfisher Redditch and a £13.2 million higher share of The Mall debt due to the Group's increased holding in The Mall Fund. The breakdown of the Group's share of off balance sheet debt and net debt at 30 June 2012 was as follows:

Group share 30 June 2012	Debt[4] £m	Cash £m	Net debt £m	Loan to value[5] %	Net debt to value[5] %	Average interest rate %	Fixed %	Weighted average duration to loan expiry Years
The Mall	**131.2**	(23.6)	**107.6**	70	57	3.92	92	2.8
Germany[1]	**125.1**	(4.1)	**121.0**	74	72	4.06	90	2.7
X-Leisure	**35.4**	(2.5)	**32.9**	52	48	6.14	99	1.6
The Junction	**21.7**	(2.4)	**19.3**	57	51	6.77	99	1.8
Kingfisher Redditch	**17.2**	(1.3)	**15.9**	65	60	6.17	100	4.8
Waterside Lincoln	**6.8**	(1.1)	**5.7**	52	44	4.70	100	2.6
Xscape Braehead	**22.8**	(1.6)	**21.2**	85	79	4.88	75	2.2
Other[3]	**n/a**	(1.4)	**(1.4)**	–	–	–	–	–
Off balance sheet[2]	**360.2**	(38.0)	**322.2**			4.67	92	2.6

[1] The equity investment in German portfolio 4 has been impaired to £nil which has resulted in the removal of see-through debt related to this investment at 30 June 2012. See note 8c for further disclosure
[2] The equity investment in FIX UK has been impaired to £nil which has resulted in the removal of see-through debt related to this investment at 30 June 2012. See note 8b for further disclosure
[3] Off balance sheet cash held in other associates and joint ventures
[4] Excluding unamortised issue costs
[5] Debt and net debt divided by investment property at fair value

Chief Executive's statement continued

Total Mall debt fell by £11.3 million to £651.0 million at 30 June 2012 (30 December 2011: £662.3 million). This fall was due to the surplus cash generated by the fund being used to pay down the debt via a cash sweep. On 12 July 2012, the sale of The Castle Mall Shopping Centre in Norwich was completed for £77.3 million and on 23 July 2012, a debt repayment of £80.1 million was made from the sale proceeds and surplus operating cash. Following this debt repayment Mall debt was £570.9 million and the LTV decreased to 67% and net debt to value declined to 53%. This repayment means that the amortisation target of £600 million by December 2014 has been achieved well in advance of the required date.

Total German debt fell by €164.2 million to €312.6 million at 30 June 2012 (30 December 2011: €476.8 million). This is as a consequence of €157.9 million being removed from see-through debt following the write down of the German portfolio 4 equity investment. Further details are provided in the German portfolio section within the operating review.

Total Kingfisher Redditch debt is £85.8 million at 30 June 2012 (30 December 2011: £nil). The debt funding for the acquisition of Kingfisher Redditch is provided by a five year facility.

Covenants
The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 June 2012, except for German portfolio 4 which formally defaulted on 16 July 2012 and has been placed into special servicing.

Interest rate hedging
The majority of current borrowing, both at Group level and in the funds and joint ventures, continues to be covered by interest rate swaps or caps. At 30 June 2012, the see-through valuation of the Group's swaps and caps was a liability of £18.4 million (30 December 2011: £18.8 million) which will not be crystallised unless the underlying contracts are closed out before their expiry date.

Cash distributions
The Group received total cash distributions of £0.9 million during the period comprising of £0.8 million from the X-Leisure Fund and £0.1 million from X-Leisure Limited.

Profitability
Recurring pre-tax profit
The Group's recurring pre-tax profit increased by £0.4 million to £9.2 million for the six months ended 30 June 2012 (Six months ended 30 June 2011: £8.8 million) and was comprised as follows:

	Six months to 30 June 2012 £m	Year to 30 December 2011 £m	Six months to 30 June 2011 £m
Asset businesses			
UK property investment	**4.6**	8.0	4.9
German property investment	**3.9**	7.9	3.6
Earnings businesses			
Property management	**2.3**	4.5	2.5
SNO!zone	**0.7**	0.7	0.3
Non-segment item			
Central costs	**(2.3)**	(4.7)	(2.5)
Recurring pre-tax profit	**9.2**	16.4	8.8

Property investment: The decline in recurring pre-tax profit of £0.3 million from the UK properties largely reflects the property disposals that took place during 2011 offset by reducing interest costs and having a larger ownership in The Mall Fund. The recurring pre-tax profit from Germany in sterling terms has increased by £0.3 million due to reduced interest costs combined with increased rental income following the Schwäbisch Hall acquisition in December 2011.

SNO!zone: The increase in recurring pre-tax profit of £0.4 million is due to growth in revenue from improved marketing and sales activities, combined with improved cost control and the benefit from the sale of the loss making site in Braehead in December 2011.

Performance fees: No performance fees have been recognised in the six months ended 30 June 2012 (2011: £nil).

Loss before tax

The loss before tax was £9.9 million for the six months ended 30 June 2012 (Six months ended 30 June 2011: profit of £21.2 million) and is analysed below:

	Six months to 30 June 2012 £m	Year to 30 December 2011 £m	Six months to 30 June 2011 £m
Recurring pre-tax profit	**9.2**	16.4	8.8
Property revaluation	**(16.8)**	1.7	5.7
Profit on disposal	**–**	0.7	0.4
Impairment of FIX UK	**(1.3)**	–	–
Impairment of German portfolio 4	**(3.3)**	–	–
Financial instruments revaluation	**1.4**	2.6	4.1
Investment income	**–**	4.0	3.9
Gain on investment in The Mall	**1.4**	1.1	–
Other items	**(0.5)**	(3.1)	(1.7)
Loss before tax	**(9.9)**	23.4	21.2

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

Property devaluation of £16.8 million mainly due to a decline in The Mall of £7.1 million driven by loss of income due to administrations; and a decline in Germany of £8.9 million, of which £8.6 million relates to German portfolio 4.

Impairment of FIX UK of £1.3 million related to the write down of the carrying value of the investment in FIX UK to £nil to reflect the significant refinancing risk of this associate in early 2013.

Impairment of German portfolio 4 of £3.3 million related to the write down of the carrying value of the equity investment in German portfolio 4 to £nil to reflect the significant fall in property values during the first half of 2012 which resulted in the portfolio defaulting on its debt and being put into special servicing in July 2012.

Financial instrument revaluation of £1.4 million due to gains on the interest rate swaps hedging.

Gain on investment in The Mall related to the Group purchase of 18.7 million units in The Mall Fund at an average of £0.30 per unit for a total consideration of £5.6 million resulting in a gain on investment of £1.4 million. This purchase increased the holding in The Mall Fund from 18.16% to 20.15%.

Tax

The tax credit was £0.7 million for the six months ended 30 June 2012 (Six months ended 30 June 2011: charge of £1.3 million). The tax credit was primarily due to the successful conclusion on several UK historic tax matters and closure of all open tax years up to and including 2009 which resulted in a prior year credit of £2.1 million. This prior year credit offset the current year tax charge of £1.3 million for the first half of 2012.

Chief Executive's statement continued

Property under management

During the period, property under management fell due to an overall fall in property valuations partially offset by the acquisition of Kingfisher Redditch. The overall impact on property under management is set out below.

100%	Valuation 30 December 2011[1] £m	Disposals/ additions £m	Other movements[2] £m	Revaluation £m	**Valuation 30 June 2012[1] £m**
The Mall	971	–	(1)	(36)	**934**
The Junction	288	–	3	(6)	**285**
X-Leisure	565	–	1	9	**575**
Germany	496	(1)	(140)	(18)	**337**
Other properties	161	137	67	(6)	**359**
Property under management	2,481	136	(70)	(57)	**2,490**

[1] Valuation excludes adjustments to property valuations for tenant incentives and head leases treated as finance leases and trading properties are included at the lower of cost and net realisable value

[2] Primarily £127 million property removed from property under management following the impairment of German portfolio 4 and foreign exchange movements in Germany offset by £67 million for the Edgware contract included in other properties

During the first half of 2012, an asset and development management contract has been agreed with Scottish Widows Investment Partners for the Broadwalk Centre in Edgware. This contract will provide a base asset management fee with the opportunity to share in development profits in the future.

Property acquisitions

On 1 May 2012, the Group completed its acquisition of a 20% interest in The Kingfisher Shopping Centre in Redditch for a total consideration of £10.6 million in partnership with funds managed by Oaktree Capital Management LP. The Kingfisher Centre was purchased for £130.0 million at an 8% net initial yield.

On 11 June 2012, The Junction Fund completed the acquisition of the remaining 35% minority interest in the Junction Thurrock Unit Trust and simultaneously sold the West Thurrock Retail Park. The Junction Fund made a net balancing payment of £3.9 million to reflect the premium of having full control that buying out the minority interest provides. The acquisition of this minority interest provides the fund with strategic flexibility.

Property disposals

During April 2012, the German joint venture sold properties at Kirchheim and Philippsthal for €0.6 million which was in line with their 30 December 2011 valuations.

On 12 July 2012, The Mall completed the sale of The Castle Mall Shopping Centre in Norwich for £77.3 million at a 7.8% net initial yield which was in line with its 30 June 2012 valuation.

Foreign currency exposure management

The Group uses a forward foreign exchange contract as a hedge of its net investment in the German joint ventures. At 30 June 2012, this was achieved through a contract for €47.0 million at a fixed exchange rate of 1.1797 which hedges 98% of the Group's German investment and matures on 28 March 2013. At 30 June 2012 the value of the contract was an asset of £1.9 million (30 December 2011: asset of £0.6 million).

Going concern

As stated in note 2 to the condensed financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Dividend

The Board is not recommending the payment of an interim dividend for 2012. The Board is committed to resuming dividends when it is prudent to do so. The current dividend policy links future payments to the Group's cash generating ability and will normally be restricted to not more than 50% of operating cash flow less interest and tax. The Board intends to review this policy during the second half of 2012 by which time progress in creating liquidity within the Group's investments in the funds and joint ventures should be further advanced.

Outlook

Our aim this year is to make further significant progress in focusing Capital & Regional as a UK retail property investment company.

The sale of The Mall Norwich together with the acquisition of Kingfisher Redditch has reinforced our emphasis on dominant UK community shopping centres.

We expect recycling of capital from our non-core assets to gain momentum in the second half of this year. This will help simplify the business and reinforce our focus around our core UK shopping centre activities.

The restructuring of The Junction's Thurrock interests has increased the fund's ability to realise value for unitholders. During the last two years we have received £15.5 million from The Junction Fund following asset disposals and a process is underway for the sale of our investment in The Junction which we anticipate will complete during the fourth quarter of 2012. Should a transaction be concluded, the proceeds will be used to degear the Group further.

The operating environment is likely to remain challenging. Robust levels of recurring profitability together with a shopping centre portfolio focused around Greater London and the South East will provide a cushion for any further fall in valuations in the balance of the year.

Hugh Scott-Barrett
Chief Executive
14 August 2012

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's future performance and could cause actual results to differ materially from expected and historical results. References to "the Group" include the funds and joint ventures in which Capital & Regional has an interest. The Group carries out a regular review of the major risks it faces and monitors the controls that have been put in place to mitigate them. Property risks are also monitored at various levels within divisional management.

A detailed explanation of the principal risks and uncertainties was included on pages 25 to 27 of the Group's annual report for the year ended 30 December 2011. Those principal risks and uncertainties, which are summarised below, have not changed significantly in the period to 30 June 2012, other than the additional risk of recoverability of the junior debt loan receivable.

Property risks:

- *Property investment market risks* – Weak economic conditions and poor sentiment in commercial real estate markets may lead to low investor demand and a market pricing correction. Small changes in property market yields have a significant effect on the value of the properties owned by the Group and the impact of leverage could magnify the effect on the Group's net assets.

- *Impact of the economic environment (tenant risks)* – Tenant insolvency or distress and a prolonged downturn in tenant demand could put pressure on rent levels. Tenant failures and reduced tenant demand could adversely affect rental income revenues, lease incentive costs, void costs, available cash and the value of properties owned by the Group.

- *Threat from the internet* – The trend towards online shopping may adversely impact consumer footfall in shopping centres. A change in consumer shopping habits towards online purchasing and delivery may reduce footfall and therefore potentially reduce tenant demand for space and the levels of rents which can be achieved.

- *Valuation risks* – In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty. Stated property valuations may not reflect the price received on sale.

- *Property management income risks* – Fee income, although largely fixed, may still fall based on value of property under management and contracts allow for termination under certain circumstances which are largely outside management's control. Changes in property values, sales of properties or other events not wholly under management's control could result in a reduction in or the loss of property management income.

- *Nature of investments and relationships with key business partner*s – The market for the Group's investments can be relatively illiquid and there are restrictions on the ability to exercise full control over underlying investments in joint ventures or fund structures. The inability to sell investments or fully control exit/asset sale strategies could result in investments in associates and joint ventures not being realisable at reported values.

Funding and treasury risks:

- *Liquidity and funding* – Inability to fund the business or to refinance existing debt on economic terms when needed may result in the inability to meet financial obligations (interest, loan repayments, expenses, dividends) when due and put a limitation on financial and operational flexibility. Cost of financing could be prohibitive in the future.

- *Covenant compliance risks* – Breach of any loan covenants could cause default on debt and possible accelerated maturity. Unremedied breaches can trigger demand for immediate repayment of loans.

- *Foreign exchange exposure risks* – Fluctuations in the exchange rate between sterling and the euro in respect of the Group's German joint venture and uncertainty over the Eurozone and the future of the Euro currency could adversely impact on sterling valuation of investments and income flows, and losses as a result of the Group having not, or not effectively, hedged its risk.

- *Interest rate exposure risks* – Exposure to rising or falling interest rates. If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken. Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences.

Other risks:

- *Tax and regulation risks* – Exposure to changes in tax legislation or the interpretation of tax legislation and property related regulations and potential exposure to tax liabilities in respect of previous transactions undertaken where the tax authorities disagree with the tax treatment adopted could result in tax related liabilities and other losses arising.
- *Loss of key management* – The Group's business is partially dependent on the skills of a small number of key individuals. Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce the effectiveness with which the Group conducts its business.
- *Recoverability of the junior debt* – The recoverability of the £5.4 million junior debt loan receivable due from German portfolio 4 will depend on progress with the special servicer and the final agreed business plan and timeframe used to realise value. If the timeframe over which assets are realised is accelerated there is a risk that the amount of the junior debt realised will be lower than the current carrying value.

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

Responsibility statement

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union;
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Hugh Scott-Barrett
Chief Executive
14 August 2012

Charles Staveley
Group Finance Director
14 August 2012

Independent review report to Capital & Regional plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
14 August 2012

Condensed consolidated income statement

For the six months to 30 June 2012

	Note	**Unaudited Six months to 30 June 2012 £m**	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
Revenue	3a	**13.5**	14.5	28.9
Cost of sales		**(5.3)**	(6.2)	(11.7)
Gross profit		**8.2**	8.3	17.2
Administrative costs		**(5.6)**	(5.2)	(11.2)
Share of (loss)/profit in associates and joint ventures	8a	**(10.7)**	19.6	22.3
Profit/(loss) on revaluation of investment properties	7	**0.1**	0.2	(1.5)
Other gains and losses	4	**(0.6)**	–	–
(Loss)/profit on ordinary activities before financing		**(8.6)**	22.9	26.8
Finance income		**1.4**	1.1	2.3
Finance costs		**(2.7)**	(2.8)	(5.7)
(Loss)/profit before tax		**(9.9)**	21.2	23.4
Tax	5	**0.7**	(1.3)	(2.3)
(Loss)/profit for the period		**(9.2)**	19.9	21.1
Basic (loss)/earnings per share	6	**(3)p**	6p	6p
Diluted (loss)/earnings per share	6	**(3)p**	6p	6p

All results derive from continuing operations and the loss for the current period and profit for the preceding periods is fully attributable to equity shareholders.

Condensed consolidated statement of comprehensive income

For the six months to 30 June 2012

	Unaudited Six months to 30 June 2012 £m	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
(Loss)/profit for the period	**(9.2)**	19.9	21.1
Exchange differences on translation of foreign operations	**(1.8)**	2.9	(1.3)
Gain/(loss) on a hedge of a net investment taken to equity	**1.2**	(1.9)	0.9
Other comprehensive income	**(0.6)**	1.0	(0.4)
Total comprehensive income for the period	**(9.8)**	20.9	20.7

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

Condensed consolidated balance sheet

At 30 June 2012

	Note	Unaudited 30 June 2012 £m	Audited 30 December 2011 £m
Non-current assets			
Investment properties	7	**8.6**	8.5
Goodwill		**1.2**	1.8
Plant and equipment		**0.6**	0.7
Available for sale investments		**–**	0.3
Receivables		**32.7**	33.3
Investment in associates	8b	**132.1**	120.2
Investment in joint ventures	8c	**18.0**	27.2
Total non-current assets		**193.2**	192.0
Current assets			
Trading properties	7	**71.3**	71.5
Receivables		**7.5**	5.0
Cash and cash equivalents	9	**5.8**	20.0
Total current assets		**84.6**	96.5
Total assets		**277.8**	288.5
Current liabilities			
Bank loans	10	**(4.1)**	(5.0)
Trade and other payables		**(8.3)**	(10.0)
Current tax liabilities	5	**(6.3)**	(3.0)
Total current liabilities		**(18.7)**	(18.0)
Non-current liabilities			
Bank loans	10	**(65.7)**	(61.6)
Other payables		**(3.3)**	(4.0)
Deferred tax liabilities		**(4.1)**	(3.9)
Non-current tax liabilities		**–**	(5.0)
Total non-current liabilities		**(73.1)**	(74.5)
Total liabilities		**(91.8)**	(92.5)
Net assets		**186.0**	196.0
Equity			
Share capital		**9.9**	9.9
Other reserves		**71.5**	72.8
Capital redemption reserve		**4.4**	4.4
Own shares held		**(0.7)**	(6.8)
Retained earnings		**100.9**	115.7
Equity shareholders' funds		**186.0**	196.0
Basic net assets per share	12	**£0.53**	£0.56
EPRA triple net assets per share	12	**£0.53**	£0.56
EPRA net assets per share	12	**£0.60**	£0.63

Condensed consolidated statement of changes in equity

For the six months to 30 June 2012

		Other reserves								
	Share capital £m	Special reserve £m	Merger reserve £m	Acquisition reserve £m	Foreign currency reserve £m	Net investment hedging reserve £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
Balance at 30 December 2010 (audited)	**9.9**	**79.5**	**60.3**	**9.5**	**7.4**	**(3.5)**	**4.4**	**(9.7)**	**16.7**	**174.5**
Profit for the period	–	–	–	–	–	–	–	–	19.9	19.9
Other comprehensive income for the period	–	–	–	–	2.9	(1.9)	–	–	–	1.0
Total comprehensive income for the period	–	–	–	–	2.9	(1.9)	–	–	19.9	20.9
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	–	–	0.4	0.4
Other movements	–	–	–	–	(0.4)	–	–	2.9	(2.5)	–
Balance at 30 June 2011 (unaudited)	**9.9**	**79.5**	**60.3**	**9.5**	**9.9**	**(5.4)**	**4.4**	**(6.8)**	**34.5**	**195.8**
Profit for the period	–	–	–	–	–	–	–	–	1.2	1.2
Other comprehensive income for the period	–	–	–	–	(4.2)	2.8	–	–	–	(1.4)
Total comprehensive income for the period	–	–	–	–	(4.2)	2.8	–	–	1.2	(0.2)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	–	–	0.4	0.4
Transfer between reserves	–	(79.5)	–	–	–	–	–	–	79.5	–
Other movements	–	–	–	–	(0.1)	–	–	–	0.1	–
Balance at 30 December 2011 (audited)	**9.9**	**–**	**60.3**	**9.5**	**5.6**	**(2.6)**	**4.4**	**(6.8)**	**115.7**	**196.0**
Loss for the period	–	–	–	–	–	–	–	–	(9.2)	(9.2)
Other comprehensive income for the period	–	–	–	–	(1.8)	1.2	–	–	–	(0.6)
Total comprehensive income for the period	–	–	–	–	(1.8)	1.2	–	–	(9.2)	(9.8)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	–	–	0.4	0.4
Transfer to income statement for German portfolio 4	–	–	–	–	(0.7)	–	–	–	–	(0.7)
Other movements	–	–	–	–	–	–	–	6.1	(6.0)	0.1
Balance at 30 June 2012 (unaudited)	**9.9**	**–**	**60.3**	**9.5**	**3.1**	**(1.4)**	**4.4**	**(0.7)**	**100.9**	**186.0**

Condensed consolidated cash flow statement

For the six months to 30 June 2012

	Note	**Unaudited Six months to 30 June 2012 £m**	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
Operating activities				
Net cash from operations	11	**1.2**	4.1	8.2
Distributions received from associates	8b	**0.8**	4.0	11.2
Distributions received from joint ventures	8c	**0.1**	1.8	4.5
Interest paid		**(2.5)**	(2.6)	(5.3)
Interest received		**–**	0.1	0.1
Income taxes paid		**(0.9)**	(5.0)	(9.9)
Cash flows from operating activities		**(1.3)**	2.4	8.8
Investing activities				
Purchase of investment property		**–**	(26.1)	(26.1)
Disposal of available for sale investments		**0.3**	–	–
Sale of equity interest in subsidiary to joint venture partner		**–**	6.4	6.4
Disposal of SNO!zone Braehead subsidiary		**–**	–	(0.1)
Purchase of plant and equipment		**(0.1)**	–	(0.3)
Investment in associates	8b	**(16.2)**	–	(4.0)
Investment in joint ventures		**–**	–	(1.2)
Loans to joint ventures		**–**	–	(1.3)
Loans repaid by joint ventures		**–**	0.3	1.2
Cash flows from investing activities		**(16.0)**	(19.4)	(25.4)
Financing activities				
Bank loans drawn down	10	**4.6**	13.6	13.6
Bank loans repaid		**(1.5)**	(1.5)	(3.2)
Loan arrangement costs		**–**	(0.3)	(0.3)
Settlement of forward foreign exchange contract		**–**	1.5	1.5
Premium cost of interest rate swaption		**–**	–	(0.7)
Cash flows from financing activities		**3.1**	13.3	10.9
Net decrease in cash and cash equivalents		**(14.2)**	(3.7)	(5.7)
Cash and cash equivalents at the beginning of the period		**20.0**	25.7	25.7
Cash and cash equivalents at the end of the period	9	**5.8**	22.0	20.0

Notes to the condensed financial statements

For the six months to 30 June 2012

1 General information

The information for the year ended 30 December 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

2 Accounting policies

Basis of preparation

The annual financial statements of Capital & Regional plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Going concern

The directors expect the core revolving credit facility to be extended by four years to 31 July 2016 and reduced from a facility amount of £58.0 million to £25.0 million. At the same time the Great Northern loan facility will be extended to 10 October 2014 and reduced to £57.6 million. Given that the existing £58.0 million core revolving credit facility matures in September 2013, and that the terms have been agreed and the documentation is well advanced for the above credit and loan facility extensions, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed set of financial statements.

Change in accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

3 Business segments

The Group has two business segments which are: (i) Asset business segment which derives its revenue from the rental of investment and trading properties; and (ii) Earnings business segment which derives its revenue from the management of property funds, associates and joint ventures and the operation of indoor ski slopes.

The Group's reportable segments under IFRS 8 are: The Mall, The Junction, X-Leisure, the German joint ventures, Capital & Regional Property Management (CRPM) and SNO!zone.

Other operations not individually reportable in the asset business segment which are combined into the "other" segment are: Kingfisher Limited Partnership (acquired in May 2012), Morrison Merlin Limited (Great Northern), The Waterside Lincoln Limited Partnership, Xscape Braehead Partnership, Hemel Hempstead, FIX UK (impaired to £nil at 30 June 2012) and The Auchinlea Partnership.

Other operations not individually reportable in the earnings business which are combined with CRPM into the "property management" segment are: X-Leisure Limited and Garigal Asset Management GmbH.

Non-segment items include the Group overheads incurred by Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

3 Business segments continued

Six months to 30 June 2012	Note	Asset businesses The Mall £m	The Junction £m	X-Leisure £m	Germany £m	Other £m	Earnings businesses Property management £m	SNO!zone £m	Group Total reportable segments £m	Non-segment items £m	Total £m
Rental income from external sources	3a	7.9	1.2	2.6	9.5	6.8	–	–	**28.0**	–	**28.0**
Property and void costs		(2.0)	(0.3)	(0.5)	(2.0)	(1.3)	–	–	**(6.1)**	–	**(6.1)**
Net rental income		5.9	0.9	2.1	7.5	5.5	–	–	**21.9**	–	**21.9**
Interest income		–	–	–	0.3	–	–	–	**0.3**	–	**0.3**
Interest expense		(3.7)	(0.8)	(1.3)	(3.9)	(3.9)	–	–	**(13.6)**	–	**(13.6)**
Contribution		2.2	0.1	0.8	3.9	1.6	–	–	**8.6**	–	**8.6**
Management fees	3a	–	–	–	–	–	6.5	–	**6.5**	–	**6.5**
Management expenses		–	–	–	–	–	(4.2)	–	**(4.2)**	(1.9)	**(6.1)**
SNO!zone income	3a	–	–	–	–	–	–	5.2	**5.2**	–	**5.2**
SNO!zone expenses		–	–	–	–	–	–	(4.4)	**(4.4)**	–	**(4.4)**
Depreciation		–	–	–	–	–	(0.1)	(0.1)	**(0.2)**	–	**(0.2)**
Inter-segment revenue	3a	–	–	–	–	–	0.1	–	**0.1**	–	**0.1**
Inter-segment expenses		–	–	–	–	(0.1)	–	–	**(0.1)**	–	**(0.1)**
Interest expense on central facility		–	–	–	–	–	–	–	**–**	(0.4)	**(0.4)**
Recurring pre-tax profit		2.2	0.1	0.8	3.9	1.5	2.3	0.7	**11.5**	(2.3)	**9.2**
Variable overhead		–	–	–	–	–	(0.1)	–	**(0.1)**	(0.3)	**(0.4)**
Revaluation of investment properties		(7.1)	(0.8)	1.1	(8.9)	(1.1)	–	–	**(16.8)**	–	**(16.8)**
Profit/(loss) on disposals		–	(0.1)	–	0.1	–	–	–	**–**	–	**–**
Impairment of trading properties	7	–	–	–	–	(0.2)	–	–	**(0.2)**	–	**(0.2)**
Impairment of goodwill	4	–	–	–	–	–	(0.6)	–	**(0.6)**	–	**(0.6)**
Impairment of FIX UK	8a	–	–	–	–	(1.3)	–	–	**(1.3)**	–	**(1.3)**
Impairment of German portfolio 4	8a	–	–	–	(3.3)	–	–	–	**(3.3)**	–	**(3.3)**
Transfer from foreign currency reserve for German portfolio 4	8a	–	–	–	0.7	–	–	–	**0.7**	–	**0.7**
Gain/(loss) on financial instruments		0.8	0.2	0.3	(0.2)	0.3	–	–	**1.4**	–	**1.4**
Other items		1.4	–	–	0.5	–	(0.1)	(0.2)	**1.6**	(0.2)	**1.4**
(Loss)/profit before tax		(2.7)	(0.6)	2.2	(7.2)	(0.8)	1.5	0.5	**(7.1)**	(2.8)	**(9.9)**
Tax credit	5										**0.7**
(Loss)/profit after tax											**(9.2)**
Total assets	3a	227.8	40.7	72.1	193.9	173.2	7.2	1.9	**716.8**	4.1	**720.9**
Total liabilities	3a	(160.1)	(24.2)	(40.1)	(150.0)	(138.9)	(3.6)	(1.5)	**(518.4)**	(16.5)	**(534.9)**
Net assets		67.7	16.5	32.0	43.9	34.3	3.6	0.4	**198.4**	(12.4)	**186.0**

Notes to the condensed financial statements continued

For the six months to 30 June 2012

3 Business segments continued

		Asset businesses					Earnings businesses		Group		
Six months to 30 June 2011	Note	The Mall £m	The Junction £m	X-Leisure £m	Germany £m	Other £m	Property management £m	SNO!zone £m	**Total reportable segments £m**	Non-segment items £m	**Total £m**
Rental income from external sources	3a	8.1	1.7	2.6	9.5	6.5	–	–	**28.4**	–	**28.4**
Property and void costs		(2.0)	(0.3)	(0.5)	(1.2)	(0.7)	–	–	**(4.7)**	–	**(4.7)**
Net rental income		6.1	1.4	2.1	8.3	5.8	–	–	**23.7**	–	**23.7**
Interest income		–	–	–	0.4	–	–	–	**0.4**	–	**0.4**
Interest expense		(4.0)	(1.2)	(1.4)	(5.1)	(3.8)	–	–	**(15.5)**	–	**(15.5)**
Contribution		2.1	0.2	0.7	3.6	2.0	–	–	**8.6**	–	**8.6**
Management fees	3a	–	–	–	–	–	6.2	–	**6.2**	–	**6.2**
Management expenses		–	–	–	–	–	(3.7)	–	**(3.7)**	(2.1)	**(5.8)**
SNO!zone income	3a	–	–	–	–	–	–	6.2	**6.2**	–	**6.2**
SNO!zone expenses		–	–	–	–	–	–	(5.8)	**(5.8)**	–	**(5.8)**
Depreciation		–	–	–	–	–	(0.1)	(0.1)	**(0.2)**	–	**(0.2)**
Inter-segment revenue	3a	–	–	–	–	–	0.1	–	**0.1**	–	**0.1**
Inter-segment expenses		–	–	–	–	(0.1)	–	–	**(0.1)**	–	**(0.1)**
Interest income on central cash		–	–	–	–	–	–	–	**–**	0.1	**0.1**
Interest expense on central facility		–	–	–	–	–	–	–	**–**	(0.5)	**(0.5)**
Recurring pre-tax profit		2.1	0.2	0.7	3.6	1.9	2.5	0.3	**11.3**	(2.5)	**8.8**
Variable overhead		–	–	–	–	–	(0.6)	–	**(0.6)**	–	**(0.6)**
Revaluation of investment properties		2.2	1.8	2.6	(1.4)	0.6	–	–	**5.8**	–	**5.8**
Profit/(loss) on disposals		(0.2)	0.6	–	–	–	–	–	**0.4**	–	**0.4**
Impairment of trading properties		–	–	–	–	(0.1)	–	–	**(0.1)**	–	**(0.1)**
Gain on financial instruments		0.7	–	–	2.6	0.8	–	–	**4.1**	–	**4.1**
Investment income		–	–	–	3.9	–	–	–	**3.9**	–	**3.9**
Other non-recurring items		–	–	–	(0.9)	–	(0.1)	–	**(1.0)**	(0.1)	**(1.1)**
Profit/(loss) before tax		4.8	2.6	3.3	7.8	3.2	1.8	0.3	**23.8**	(2.6)	**21.2**
Tax charge	5										**(1.3)**
Profit after tax											**19.9**
Total assets	3a	218.0	53.4	69.4	292.5	172.8	8.1	2.1	**816.3**	18.7	**835.0**
Total liabilities	3a	(155.6)	(30.4)	(40.7)	(237.0)	(151.4)	(4.2)	(2.2)	**(621.5)**	(17.7)	**(639.2)**
Net assets		62.4	23.0	28.7	55.5	21.4	3.9	(0.1)	**194.8**	1.0	**195.8**

3 Business segments continued

Year to 30 December 2011	Note	The Mall £m	The Junction £m	X-Leisure £m	Germany £m	Other £m	Property management £m	SNO!zone £m	**Total reportable segments £m**	Non-segment items £m	**Total £m**
		Asset businesses					**Earnings businesses**		**Group**		
Rental income from external sources	3a	16.0	3.0	5.1	19.3	12.4	–	–	**55.8**	–	**55.8**
Property and void costs		(4.0)	(0.6)	(1.0)	(2.6)	(1.8)	–	–	**(10.0)**	–	**(10.0)**
Net rental income		12.0	2.4	4.1	16.7	10.6	–	–	**45.8**	–	**45.8**
Interest income		–	–	–	0.8	–	–	–	**0.8**	–	**0.8**
Interest expense		(8.1)	(2.1)	(2.7)	(9.6)	(8.1)	–	–	**(30.6)**	–	**(30.6)**
Contribution		3.9	0.3	1.4	7.9	2.5	–	–	**16.0**	–	**16.0**
Management fees	3a	–	–	–	–	–	12.7	–	**12.7**	–	**12.7**
Management expenses		–	–	–	–	–	(8.1)	–	**(8.1)**	(3.9)	**(12.0)**
SNO!zone income	3a	–	–	–	–	–	–	12.4	**12.4**	–	**12.4**
SNO!zone expenses		–	–	–	–	–	–	(11.5)	**(11.5)**	–	**(11.5)**
Depreciation		–	–	–	–	–	(0.2)	(0.2)	**(0.4)**	–	**(0.4)**
Inter-segment revenue	3a	–	–	–	–	–	0.1	–	**0.1**	–	**0.1**
Inter-segment expenses		–	–	–	–	(0.1)	–	–	**(0.1)**	–	**(0.1)**
Interest income on central cash		–	–	–	–	–	–	–	**–**	0.1	**0.1**
Interest expense on central facility		–	–	–	–	–	–	–	**–**	(0.9)	**(0.9)**
Recurring pre-tax profit		3.9	0.3	1.4	7.9	2.4	4.5	0.7	**21.1**	(4.7)	**16.4**
Variable overhead		–	–	–	–	–	(0.6)	–	**(0.6)**	(1.1)	**(1.7)**
Revaluation of investment properties		(1.1)	1.2	4.2	(2.4)	(0.9)	–	–	**1.0**	–	**1.0**
Profit/(loss) on disposals		(0.7)	1.5	–	(0.1)	–	–	–	**0.7**	–	**0.7**
Impairment reversal of trading properties	7	–	–	–	–	0.7	–	–	**0.7**	–	**0.7**
Impairment of goodwill		–	–	–	–	–	(0.1)	–	**(0.1)**	–	**(0.1)**
Gain on financial instruments		0.1	0.1	0.3	0.7	1.4	–	–	**2.6**	–	**2.6**
Investment income		–	–	–	4.0	–	–	–	**4.0**	–	**4.0**
Other items		1.1	–	–	(1.1)	–	(0.1)	0.1	**–**	(0.2)	**(0.2)**
Profit/(loss) before tax		3.3	3.1	5.9	9.0	3.6	3.7	0.8	**29.4**	(6.0)	**23.4**
Tax charge	5										**(2.3)**
Profit after tax											**21.1**
Total assets	3a	212.9	41.3	71.0	277.3	171.6	7.4	2.1	**783.6**	17.0	**800.6**
Total liabilities	3a	(148.0)	(24.2)	(40.5)	(222.6)	(148.8)	(4.5)	(2.0)	**(590.6)**	(14.0)	**(604.6)**
Net assets		64.9	17.1	30.5	54.7	22.8	2.9	0.1	**193.0**	3.0	**196.0**

Notes to the condensed financial statements continued

For the six months to 30 June 2012

3a Business segment reconciliations

Revenue	Note	**Unaudited Six months to 30 June 2012 £m**	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
Rental income from external sources	3	**28.0**	28.4	55.8
Inter-segment revenue	3	**0.1**	0.1	0.1
Management fees	3	**6.5**	6.2	12.7
SNO!zone income	3	**5.2**	6.2	12.4
Revenue for reportable segments		**39.8**	40.9	81.0
Elimination of inter-segment revenue		**(0.1)**	(0.1)	(0.1)
Rental income earned by associates and joint ventures		**(24.3)**	(24.5)	(48.4)
Management fees earned by associates and joint ventures		**(1.9)**	(1.8)	(3.6)
Revenue per consolidated income statement		**13.5**	14.5	28.9
UK		**29.6**	30.8	60.4
Germany		**10.2**	10.1	20.6
Revenue for reportable segments by country		**39.8**	40.9	81.0

Balance sheet	Note	**Unaudited 30 June 2012 £m**	Unaudited 30 June 2011 £m	Audited 30 December 2011 £m
Total assets of reportable segments	3	**716.8**	816.3	783.6
Adjustment for associates and joint ventures		**(443.1)**	(537.3)	(512.1)
Non-segment assets	3	**4.1**	18.7	17.0
Group assets		**277.8**	297.7	288.5
Total liabilities of reportable segments	3	**(518.4)**	(621.5)	(590.6)
Adjustment for associates and joint ventures		**443.1**	537.3	512.1
Non-segment liabilities	3	**(16.5)**	(17.7)	(14.0)
Group liabilities		**(91.8)**	(101.9)	(92.5)
UK		**140.7**	139.1	140.1
Germany		**45.3**	56.7	55.9
Nets assets by country		**186.0**	195.8	196.0

4 Other gains and losses

	Unaudited Six months to 30 June 2012 £m	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
Profit on sale of SNO!zone Braehead subsidiary	**–**	–	0.1
Impairment of goodwill	**(0.6)**	–	(0.1)
Total other gains and losses	**(0.6)**	–	–

5 Tax

Tax charge	**Unaudited Six months to 30 June 2012 £m**	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
UK corporation tax	**1.3**	1.4	2.2
Adjustments in respect of prior years	**(2.2)**	(0.4)	(0.2)
Foreign tax	**–**	–	0.1
Total current tax (credit)/charge	**(0.9)**	1.0	2.1
Origination and reversal of temporary timing differences	**0.2**	0.3	0.2
Total deferred tax charge	**0.2**	0.3	0.2
Income statement	**(0.7)**	1.3	2.3
Other comprehensive income	**–**	–	–
Total tax (credit)/charge	**(0.7)**	1.3	2.3

Tax (credit)/charge reconciliation	**Unaudited Six months to 30 June 2012 £m**	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
(Loss)/profit before tax	**(9.9)**	21.2	23.4
(Loss)/profit multiplied by the UK corporation tax rate of 24.5% (2011: 26.5%)	**(2.4)**	5.6	6.2
Non-allowable expenses and non-taxable items	**(1.7)**	(0.9)	(2.5)
Utilisation of tax losses	**(0.6)**	(0.5)	(1.1)
Tax on realised gains/(losses)	**–**	(0.1)	(0.2)
Unrealised losses/(gains) on investment properties not taxable	**4.2**	(1.4)	0.1
Temporary timing and controlled foreign companies income	**2.0**	(1.0)	0.1
Adjustments in respect of prior years	**(2.2)**	(0.4)	(0.3)
Total tax (credit)/charge	**(0.7)**	1.3	2.3

Notes to the condensed financial statements continued

For the six months to 30 June 2012

5 Tax continued

The Budget on 21 March 2012 revised the previously announced phased reduction in the UK corporation tax rate. The rate is now proposed to reduce to 22% (previously 23%) by 1 April 2014. The reduction in the UK corporation tax rate at 1 April 2012 to 24% was substantively enacted on 26 March 2012. The reduction to 23% from 1 April 2013 was substantively enacted on 3 July 2012. This change will not have a significant impact on the Group.

The Group has £53.4 million (30 December 2011: £55.8 million) of unused revenue tax losses, all of which are in the UK, and £21.1 million (30 December 2011: £21.4 million) of unused capital losses. During the period several historic tax matters were successfully concluded with the tax authority which has resulted in the closure of all open tax years up to and including 2009 and a prior year credit to the income statement of £2.1 million.

In 2009 agreement was reached with the tax authorities related to tax structuring of previous property disposals by the Group in 2004 and 2005 which resulted in a liability of £19.5 million including interest. At 30 June 2012, £5.0 million related to this agreement is included within the current tax liability.

6 Earnings per share

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

Earnings	Basic £m	Diluted £m	EPRA diluted £m
Loss for the period	(9.2)	(9.2)	(9.2)
Revaluation of investment properties	–	–	16.8
Movement in fair value of financial instruments (net of tax)	–	–	(1.1)
Deferred tax charge on capital allowances	–	–	(0.1)
Earnings/(losses) for the purpose of earnings per share	(9.2)	(9.2)	6.4
Number of shares	million	million	million
Ordinary shares in issue	350.6	350.6	350.6
Own shares held	(1.3)	(1.3)	(1.3)
Dilutive contingently issuable shares and share options	–	–	–
Weighted average number of shares for the purpose of earnings per share	349.3	349.3	349.3
Earnings/(losses) per share	pence	pence	pence
Six months to 30 June 2012 (unaudited)	**(3)**	**(3)**	**2**
Six months to 30 June 2011 (unaudited)	6	6	3
Year to 30 December 2011 (audited)	6	6	5

At the end of the period, the Group had 14.0 million (30 December 2011: 15.6 million) share options and contingently issuable shares granted under share-based payment schemes that could potentially have diluted basic earnings per share in the future but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

7 Property assets

	Freehold investment properties £m	Leasehold investment properties £m	Sub-total investment properties £m	Freehold trading properties £m	**Total property assets £m**
Cost or valuation					
At 30 December 2010	0.2	9.8	10.0	70.8	**80.8**
Acquisition	26.1	–	26.1	–	**26.1**
Disposal into a joint venture	(26.1)	–	(26.1)	–	**(26.1)**
Impairment reversal of trading properties	–	–	–	0.7	**0.7**
Revaluation movement	–	(1.5)	(1.5)	–	**(1.5)**
At 30 December 2011	0.2	8.3	8.5	71.5	**80.0**
Impairment of trading properties	–	–	–	(0.2)	**(0.2)**
Revaluation movement	–	0.1	0.1	–	**0.1**
At 30 June 2012	**0.2**	**8.4**	**8.6**	**71.3**	**79.9**

Valuations

In addition to the wholly-owned properties shown above, the Group's property assets include its share in the investment properties held by its associates and joint ventures. External valuations at 30 June 2012 were carried out on £2.4 billion (30 December 2011: £2.5 billion) of the property assets held by the Group and its associates and joint ventures, of which the Group's share was £596.6 million (30 December 2011: £650.2 million).

The valuations were carried out by independent qualified professional valuers from CB Richard Ellis Limited, Cushman & Wakefield LLP, DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

Directors' valuations at 30 June 2012 were carried out on £26.5 million (30 December 2011: £132.6 million) of the property assets of the Group's associates and joint ventures, of which the Group's share was £13.4 million (30 December 2011: £26.7 million). The valuations were carried out by Kenneth Ford BSc FRICS and were arrived at by reference to market evidence of transaction prices for similar properties.

8 Investment in associates and joint ventures

8a Share of results

	Note	**Unaudited Six months to 30 June 2012 £m**	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
Share of results of associates	8b	**(2.1)**	15.6	16.7
Impairment of FIX UK	8b	**(1.3)**	–	–
Share of results of joint ventures	8c	**(4.7)**	4.0	5.6
Impairment of German portfolio 4	8c	**(3.3)**	–	–
Transfer from foreign currency reserve for German portfolio 4	8c	**0.7**	–	–
		(10.7)	19.6	22.3

Notes to the condensed financial statements continued

For the six months to 30 June 2012

8b Investment in associates

	Note	**Unaudited Six months to 30 June 2012 £m**	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
At the start of the period		**120.2**	110.8	110.8
Investment in associates		**16.2**	–	4.0
Share of results of associates	8a,8d	**(2.1)**	15.6	16.7
Dividends and capital distributions received		**(0.8)**	(4.0)	(11.2)
Foreign exchange differences		**(0.1)**	0.4	(0.1)
Impairment of FIX UK	8a	**(1.3)**	–	–
At the end of the period	8d	**132.1**	122.8	120.2

The Group's associates are:

Group interest	At the start of the period %	Average during the period %	**At the end of the period %**
The Mall Limited Partnership	18.16	19.72	**20.15**
The Junction Limited Partnership	13.29	13.29	**13.29**
X-Leisure Limited Partnership	11.93	11.93	**11.93**
Kingfisher Limited Partnership	–	20.00	**20.00**
The FIX UK Limited Partnership	20.00	20.00	**20.00**
Garigal Asset Management GmbH ("Garigal")	30.06	30.06	**30.06**
Euro B-Note Holding Limited	49.90	49.90	**49.90**

Whilst the Group holds less than 20% in The Junction Limited Partnership and X-Leisure Limited Partnership, they are accounted for as associates as the Group has significant influence arising from its representation on the General Partner Boards. The Group holds 20% or more of Garigal Asset Management GmbH, The Mall Limited Partnership, Kingfisher Limited Partnership and The FIX UK Limited Partnership and exercises significant influence through its representation on the General Partner Boards or its representation on the advisory Board. The Group holds an effective 49.90% of Euro B-Note Holding Limited and exercises significant influence through its ownership interest.

The Mall Limited Partnership

During the period, the Group purchased 18.7 million units in The Mall Fund at £0.30 per unit for a total consideration of £5.6 million. This purchase was at a discount to the net asset value of The Mall and resulted in a gain on investment of £1.4 million. This purchase increased the holding in The Mall Fund from 18.16% to 20.15%.

The Junction Limited Partnership

On 11 June 2012, The Junction Fund completed the acquisition of the remaining 35% minority interest in the Junction Thurrock Unit Trust and simultaneously sold the West Thurrock Retail Park. The Junction Fund made a net balancing payment of £3.9 million to reflect the premium of having full control that buying out the minority interest provides.

8b Investment in associates continued

Kingfisher Limited Partnership
On 1 May 2012, the Group completed its acquisition of a 20% interest in The Kingfisher Shopping Centre in Redditch for a total consideration of £10.6 million in partnership with funds managed by Oaktree Capital Management LP. The Kingfisher Centre was purchased for £130.0 million at an 8% net initial yield.

The FIX UK Limited Partnership
At 30 June 2012, the Group made a provision for impairment of £1.3 million to write down the carrying value of its investment in The FIX UK Limited Partnership to £nil. This is to take account of the significant refinancing risk associated with the FIX debt amounting to £125.0 million at 30 June 2012 that matures in February 2013. The debt is non-recourse to the Group.

The following share of results of FIX UK has been included within note 8d:

	Unaudited Six months to 30 June 2012 £m
Net rent	1.0
Contribution	0.3
Profit after tax	0.3

The impairment resulted in the following share of assets and liabilities of FIX UK being removed from the see-through analysis in note 8d:

	Unaudited 30 June 2012 £m
Investment properties	26.1
Other assets	1.1
Current liabilities	(25.0)
Non-current liabilities	(0.9)
Net assets	1.3

Euro B-Note Holding Limited
At 30 June 2012, the loan receivable due from German Portfolio 4 is being carried at an amortised cost of €13.5 million (Group share of £5.4 million) compared to the principal value of €18.0 million of the junior debt. The carrying value at 30 December 2011 was €13.5 million (Group share of £5.6 million).

Cash distributions
During the period X-Leisure Limited Partnership made a distribution to the Group of £0.8 million.

Notes to the condensed financial statements continued

For the six months to 30 June 2012

8c Investment in joint ventures

	Note	**Unaudited Six months to 30 June 2012 £m**	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
At the start of the period		**27.2**	25.7	25.7
Investment in joint ventures		**–**	–	1.2
Share of results of joint ventures	8a,8e	**(4.7)**	4.0	5.6
Dividends and capital distributions received		**(0.1)**	(1.8)	(4.5)
Foreign exchange differences		**(1.1)**	1.8	(0.8)
Impairment of German portfolio 4	8a	**(3.3)**	–	–
At the end of the period	8e	**18.0**	29.7	27.2

The Group's significant joint ventures are:

Group interest	At the start of the period %	Average during the period %	**At the end of the period %**
German portfolio	50.00	50.00	**50.00**
X-Leisure Limited	50.00	50.00	**50.00**
Xscape Braehead Partnership	50.00	50.00	**50.00**
The Auchinlea Partnership	50.00	50.00	**50.00**
Waterside Lincoln Limited Partnership	50.00	50.00	**50.00**

The Group's investments in joint ventures include its share of the German portfolio (49.6%), and its investments in X-Leisure Limited (50%), Xscape Braehead Partnership (50%), The Waterside Lincoln Limited Partnership (50%) and The Auchinlea Partnership (50%). The Group's share in the German portfolio is accounted for at 50% as the minority interests are included as a liability on the joint venture balance sheet.

8c Investment in joint ventures continued

German portfolio
At 30 June 2012, the Group made a provision for impairment of £3.3 million to write down the carrying value of its investment in the German portfolio 4 joint venture to £nil. This is to take account of the fall in property values during the first half of 2012 which has resulted in portfolio 4 defaulting on its €157.9 million debt as it did not meet the required 93% loan to value covenant test that was required to extend the loan into the second year of its extension period. As a result the loan maturity date was 16 July 2012 and the loan has been placed into special servicing by the loan servicer. A standstill is in place with the lenders until 24 September 2012 during which time a business plan will be agreed to realise value for the various stakeholders. As part of this plan a further standstill will be agreed. The securitised loan is non-recourse to the Group or any properties in the other German joint venture portfolios.

The following share of results of German portfolio 4 has been included within note 8e:

	Unaudited Six months to 30 June 2012 £m
Net rent	1.6
Net interest payable	(0.7)
Contribution	0.9
Revaluation of investment properties	(8.6)
Profit on sale of investment properties	0.1
Loss before tax	(7.6)
Tax	1.0
Loss after tax	(6.6)

The impairment resulted in the following share of assets and liabilities of German portfolio 4 being removed from the see-through analysis in note 8e:

	Unaudited 30 June 2012 £m
Investment properties	63.6
Other assets	4.2
Current liabilities	(63.2)
Non-current liabilities	(1.3)
Net assets	3.3

At 30 June 2012, £0.7 million has been reclassified from the foreign currency reserve to the income statement related to portfolio 4.

Cash distributions
During the period X-Leisure Limited made distributions to the Group of £0.1 million.

Notes to the condensed financial statements continued

For the six months to 30 June 2012

8d Analysis of investment in associates

	Note	The Mall £m	The Junction £m	X-Leisure £m	Others £m	**Unaudited Six months to 30 June 2012 Total £m**	Unaudited Six months to 30 June 2011 Total £m	Audited Year to 30 December 2011 Total £m
Income statement (100%)								
Revenue – gross rent		40.2	9.0	21.4	7.7	**78.3**	88.8	170.1
Property and management expenses		(8.2)	(1.1)	(3.4)	(0.9)	**(13.6)**	(13.8)	(29.9)
Void costs		(2.1)	(1.3)	(0.5)	(0.2)	**(4.1)**	(4.6)	(7.7)
Net rent		29.9	6.6	17.5	6.6	**60.6**	70.4	132.5
Net interest payable		(18.6)	(5.8)	(10.7)	(4.5)	**(39.6)**	(49.3)	(95.1)
Contribution		11.3	0.8	6.8	2.1	**21.0**	21.1	37.4
Revenue – management fees		–	–	–	2.2	**2.2**	2.1	4.3
Management expenses		–	–	–	(1.4)	**(1.4)**	(1.3)	(2.9)
Revaluation of investment properties		(36.2)	(6.4)	9.4	(6.0)	**(39.2)**	49.5	33.9
Profit on sale of investment properties		(0.1)	(0.8)	–	(0.1)	**(1.0)**	3.3	6.8
Fair value of interest rate swaps		3.9	1.8	2.9	(2.0)	**6.6**	6.1	7.1
Investment income		–	–	–	–	**–**	7.8	8.1
(Loss)/profit before tax		(21.1)	(4.6)	19.1	(5.2)	**(11.8)**	88.6	94.7
Tax		–	–	–	(0.2)	**(0.2)**	(0.2)	(0.4)
(Loss)/profit after tax (100%)		(21.1)	(4.6)	19.1	(5.4)	**(12.0)**	88.4	94.3
Balance sheet (100%)								
Investment properties		904.9	273.5	567.9	131.8	**1,878.1**	1,984.9	1,897.1
Investment properties held for sale		77.3	–	–	–	**77.3**	178.5	84.2
Other assets		148.6	31.9	36.8	24.1	**241.4**	282.6	250.0
Current liabilities		(37.7)	(7.3)	(59.8)	(7.9)	**(112.7)**	(114.4)	(86.2)
Non-current liabilities		(756.9)	(174.2)	(277.0)	(87.0)	**(1,295.1)**	(1,520.6)	(1,383.6)
Net assets (100%)		336.2	123.9	267.9	61.0	**789.0**	811.0	761.5
Income statement (Group share)								
Revenue – gross rent		7.9	1.2	2.6	1.5	**13.2**	13.5	26.3
Property and management expenses		(1.6)	(0.1)	(0.4)	(0.2)	**(2.3)**	(2.2)	(4.5)
Void costs		(0.4)	(0.2)	(0.1)	–	**(0.7)**	(0.7)	(1.3)
Net rent		5.9	0.9	2.1	1.3	**10.2**	10.6	20.5
Net interest payable		(3.7)	(0.8)	(1.3)	(0.9)	**(6.7)**	(7.4)	(14.7)
Contribution		2.2	0.1	0.8	0.4	**3.5**	3.2	5.8
Revenue – management fees		–	–	–	0.7	**0.7**	0.6	1.3
Management expenses		–	–	–	(0.4)	**(0.4)**	(0.4)	(0.9)
Revaluation of investment properties		(7.1)	(0.8)	1.1	(1.2)	**(8.0)**	6.9	3.5
(Loss)/profit on sale of investment properties		–	(0.1)	–	–	**(0.1)**	0.4	0.8
Fair value of interest rate swaps		0.8	0.2	0.3	(0.4)	**0.9**	1.1	1.2
Investment income		–	–	–	–	**–**	3.9	4.0
Gain recognised on investment in Mall		1.4	–	–	–	**1.4**	–	1.1
(Loss)/profit before tax		(2.7)	(0.6)	2.2	(0.9)	**(2.0)**	15.7	16.8
Tax		–	–	–	(0.1)	**(0.1)**	(0.1)	(0.1)
(Loss)/profit after tax (Group share)	8b	(2.7)	(0.6)	2.2	(1.0)	**(2.1)**	15.6	16.7
Balance sheet (Group share)								
Investment properties		182.3	36.4	67.7	26.4	**312.8**	301.0	298.8
Investment properties held for sale		15.6	–	–	–	**15.6**	27.4	15.3
Other assets		29.9	4.3	4.4	8.6	**47.2**	48.1	45.6
Current liabilities		(7.6)	(1.0)	(7.1)	(1.7)	**(17.4)**	(18.0)	(14.2)
Non-current liabilities		(152.5)	(23.2)	(33.0)	(17.4)	**(226.1)**	(235.7)	(225.3)
Net assets (Group share)	8b	67.7	16.5	32.0	15.9	**132.1**	122.8	120.2

8e Analysis of investment in joint ventures

	Note	German portfolio £m	Others £m	**Unaudited Six months to 30 June 2012 Total £m**	Unaudited Six months to 30 June 2011 Total £m	Audited Year to 30 December 2011 Total £m
Income statement (100%)						
Revenue – gross rent		18.9	3.2	**22.1**	22.0	44.2
Property and management expenses		(3.9)	(0.6)	**(4.5)**	(2.6)	(6.0)
Void costs		(0.2)	(0.3)	**(0.5)**	(0.4)	(0.8)
Net rent		14.8	2.3	**17.1**	19.0	37.4
Net interest payable		(7.7)	(2.0)	**(9.7)**	(12.3)	(23.4)
Contribution		7.1	0.3	**7.4**	6.7	14.0
Revenue – management fees		–	2.3	**2.3**	2.4	4.7
Management expenses		–	(2.0)	**(2.0)**	(1.8)	(3.9)
Revaluation of investment properties		(17.8)	0.1	**(17.7)**	(2.5)	(1.9)
Profit/(loss) on sale of investment properties		0.1	–	**0.1**	–	(0.1)
Fair value of interest rate swaps		(0.8)	0.1	**(0.7)**	5.2	0.7
(Loss)/profit before tax		(11.4)	0.8	**(10.6)**	10.0	13.5
Tax		1.1	(0.1)	**1.0**	(2.0)	(2.3)
(Loss)/profit after tax (100%)		(10.3)	0.7	**(9.6)**	8.0	11.2
Balance sheet (100%)						
Investment properties		336.2	74.4	**410.6**	588.6	569.9
Other assets		11.1	13.3	**24.4**	37.9	29.7
Current liabilities		(20.1)	(4.9)	**(25.0)**	(187.4)	(45.2)
Non-current liabilities		(279.7)	(94.3)	**(374.0)**	(379.8)	(500.0)
Net assets (100%)		47.5	(11.5)	**36.0**	59.3	54.4
Income statement (Group share)						
Revenue – gross rent		9.5	1.6	**11.1**	11.0	22.1
Property and management expenses		(1.9)	(0.3)	**(2.2)**	(1.3)	(3.0)
Void costs		(0.1)	(0.2)	**(0.3)**	(0.3)	(0.4)
Net rent		7.5	1.1	**8.6**	9.4	18.7
Net interest payable		(3.9)	(1.0)	**(4.9)**	(6.1)	(11.6)
Contribution		3.6	0.1	**3.7**	3.3	7.1
Revenue – management fees		–	1.2	**1.2**	1.2	2.3
Management expenses		–	(1.0)	**(1.0)**	(0.9)	(1.9)
Revaluation of investment properties		(8.9)	–	**(8.9)**	(1.3)	(1.0)
Profit/(loss) on sale of investment properties		0.1	–	**0.1**	–	(0.1)
Fair value of interest rate swaps		(0.4)	0.1	**(0.3)**	2.7	0.4
(Loss)/profit before tax		(5.6)	0.4	**(5.2)**	5.0	6.8
Tax		0.5	–	**0.5**	(1.0)	(1.2)
(Loss)/profit after tax (Group share)	8c	(5.1)	0.4	**(4.7)**	4.0	5.6
Balance sheet (Group share)						
Investment properties		168.1	37.2	**205.3**	294.3	284.9
Other assets		5.6	6.7	**12.3**	19.0	14.9
Current liabilities		(10.1)	(2.5)	**(12.6)**	(93.7)	(22.6)
Non-current liabilities		(139.9)	(47.1)	**(187.0)**	(189.9)	(250.0)
Net assets (Group share)	8c	23.7	(5.7)	**18.0**	29.7	27.2

Notes to the condensed financial statements continued

For the six months to 30 June 2012

9 Cash and cash equivalents

	Unaudited 30 June 2012 £m	Audited 30 December 2011 £m
Cash at bank	**1.2**	16.2
Security deposits held in rent accounts	**0.1**	0.1
Other restricted balances	**4.5**	3.7
	5.8	20.0

Other restricted balances include amounts subject to a charge against various borrowings and may therefore not be available for general use by the Group.

10 Borrowings

Borrowings at amortised cost	Unaudited 30 June 2012 £m	Audited 30 December 2011 £m
Secured		
Fixed and swapped bank loans	**59.1**	59.6
Variable rate bank loans	**11.2**	7.6
Total borrowings before costs	**70.3**	67.2
Unamortised issue costs	**(0.5)**	(0.6)
Total borrowings after costs	**69.8**	66.6
Analysis of total borrowings after costs		
Current	**4.1**	5.0
Non-current	**65.7**	61.6
Total borrowings after costs	**69.8**	66.6

The core revolving credit facility was drawn by £4.6 million at 30 June 2012 (30 December 2011: £nil). The Hemel Hempstead debt will be fully repaid on 30 September 2012 through an additional draw down on the core revolving credit facility.

Terms have been agreed and documentation is well advanced for the core revolving credit facility to be extended by four years to 31 July 2016. The credit facility will be reduced from £58.0 million to £25.0 million to minimise the recurring non-utilisation expense and better reflect the funding headroom the Group requires. Terms have also been agreed and documentation is well advanced for the Great Northern loan facility to be extended by one year to 10 October 2014 and the facility will be reduced to £57.6 million. These extensions are expected to be completed prior to the end of August 2012.

11 Notes to the cash flow statement

	Unaudited Six months to 30 June 2012 £m	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
(Loss)/profit for the period	**(9.2)**	19.9	21.1
Adjustments for:			
Share of loss/(profit) in associates and joint ventures	**10.7**	(19.6)	(22.3)
(Profit)/loss on revaluation of investment properties	**(0.1)**	(0.2)	1.5
Impairment of goodwill	**0.6**	–	0.1
Impairment/(impairment reversal) of trading property	**0.2**	0.1	(0.7)
Depreciation of other fixed assets	**0.2**	0.2	0.4
Share-based payment expense	**0.4**	0.4	0.8
Net finance cost	**1.3**	1.7	3.4
Tax (credit)/charge	**(0.7)**	1.3	2.3
Operating cash flows before working capital movement	**3.4**	3.8	6.6
(Increase)/decrease in receivables	**(0.5)**	0.5	2.3
Decrease in payables	**(1.7)**	(0.2)	(0.7)
Net cash from operations	**1.2**	4.1	8.2

12 Net assets per share

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

	Unaudited 30 June 2012			Unaudited 30 June 2011	Audited 30 December 2011
	Net assets £m	**Number of shares million**	**Net assets per share £**	Net assets per share £	Net assets per share £
Basic net assets	**186.0**	**350.6**	**0.53**	0.56	0.56
Own shares held	**–**	**(1.3)**			
Dilutive contingently issuable shares and share options	**–**	**–**			
Fair value of fixed rate loans (net of tax)	**(0.7)**				
EPRA triple net assets	**185.3**	**349.3**	**0.53**	0.56	0.56
Exclude fair value of fixed rate loans (net of tax)	**0.7**				
Exclude fair value of see-through interest rate derivatives	**18.4**				
Exclude deferred tax on unrealised gains and capital allowances	**3.6**				
EPRA net assets	**208.0**	**349.3**	**0.60**	0.63	0.63

Notes to the condensed financial statements continued

For the six months to 30 June 2012

13 Return on equity

	Unaudited Six months to 30 June 2012 £m	Unaudited Six months to 30 June 2011 £m	Audited Year to 30 December 2011 £m
Total comprehensive income attributable to equity shareholders	**(9.8)**	20.9	20.7
Opening equity shareholders' funds	**196.0**	174.5	174.5
Return on equity	**(5.0%)**	12.0%	11.9%

14 Contingent liabilities

There are no contingent liabilities at the end of the current period or the preceding year.

15 Events after the balance sheet date

German Portfolio 4 debt

On 16 July 2012, the German Portfolio 4 debt of £157.9 million was put into special servicing as it did not meet the required loan to value covenant test that was required to extend the loan into the second year of its extension period. See note 8c for further disclosure.

Property disposal

On 12 July 2012, The Mall completed the sale of The Castle Mall Shopping Centre in Norwich for £77.3 million at a 7.8% net initial yield which was in line with its 30 June 2012 valuation.

16 Related party transactions

There have been no material changes to, or material transactions with, related parties as described in note 37 of the annual audited financial statements for the year ended 30 December 2011, except for:

Distributions received from related parties

During the period the Group received cash distributions of £0.9 million from related parties as disclosed in note 8b and 8c.

Management fee income from related parties

During the period the Group received management fee income in the normal course of business of £4.6 million from related parties, primarily from The Mall Limited Partnership.

Glossary of terms

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from The Mall, The Junction and certain other associates and joint ventures of the Group. It also owns the Group's 50% share in X-Leisure Limited, which earns management and performance fees from the X-Leisure Fund.

Contracted rent is passing rent and the first rent reserved under a lease or unconditional agreement for lease but which is not yet payable by a tenant.

Contribution is net rent less net interest, including unhedged foreign exchange movements.

Capital return is the change in value during the period for properties held at the balance sheet date, after taking account of capital expenditure and exchange translation movements, calculated on a time weighted basis.

Debt is borrowings, excluding unamortised issue costs.

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

EPRA net assets per share include the dilutive effect of share-based payments but ignore the fair value of derivatives, any deferred tax provisions on unrealised gains and capital allowances, any adjustment to the fair value of borrowings net of tax and any surplus on the fair value of trading properties.

EPRA triple net assets per share include the dilutive effect of share-based payments and adjust all items to market value, including trading properties and fixed rate debt.

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

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

Garigal is Garigal Asset Management GmbH, an associate of the Group, which earns management and performance fees from the German joint venture.

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

Interest rate cover (ICR) is the ratio of either (i) recurring profit (before interest, tax, depreciation and amortisation); or (ii) net rental income to the interest charge.

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

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

Loan to value (LTV) is the ratio of debt excluding fair value adjustments for debt and derivatives, to the fair value of properties (excluding adjustments for tenant incentives and head leases).

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

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

Net initial yield (NIY) is the annualised net rent generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties, which is in line with EPRA's best practice recommendations.

Net debt to property value is debt less cash and cash equivalents divided by the property value (including adjustments for tenant incentives and head leases).

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

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

Glossary of terms continued

Nominal equivalent yield is a weighted average of the net initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received, assuming rent is received annually in arrears on gross values including the prospective purchaser's costs.

Passing rent is gross rent currently payable by tenants including car park profit but excluding income from non-trading administrations and any assumed uplift from outstanding rent reviews.

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

Recurring pre-tax profit is the total of Contribution, the Group's share of management fees less fixed management expenses earned by CRPM, X-Leisure Limited and Garigal, the profit from SNO!zone and any central costs and interest.

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

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

Reversionary yield is the anticipated yield to which the net initial yield will rise once the rent reaches the ERV.

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

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

Temporary lettings are those lettings for one year or less.

Topped-up net initial yield is the net initial yield adjusted for the expiration of rent-free periods or other unexpired lease incentives.

Total return is the Group's total recognised income or expense for the year as set out in the consolidated statement of comprehensive income expressed as a percentage of opening equity shareholders' funds.

Total shareholder return (TSR) is a performance measure of the Group's share price over time. It is calculated as the share price movement from the beginning of the period to the end of the period plus dividends paid, divided by share price at the beginning of the period.

Vacancy rate is the ERV of vacant properties expressed as a percentage of the total ERV of the portfolio, excluding development properties, in line with EPRA's best practice recommendations.

Variable overhead includes discretionary bonuses and the costs of awards to directors and employees made under the 2008 LTIP, Matching Share Agreement, COIP and SAYE Scheme, which are spread over the performance period.

Fund portfolio information (100% figures)

At 30 June 2012

	The Mall	The Junction	X-Leisure	German Portfolio[1]
Physical data				
Number of properties[2]	9	6	16	26
Number of lettable units	1,083	79	313	193
Lettable space (sq feet – '000s)	4,663	1,391	3,070	3,354
Valuation data				
Properties at independent valuation (£m)	934.2	285.1	575.1	336.7
Adjustments for head leases and tenant incentives (£m)	48.0	(11.6)	(7.2)	(0.5)
Properties as shown in the financial statements (£m)	982.2	273.5	567.9	336.2
Revaluation in the year (£m)	(36.2)	(6.4)	9.4	(17.8)
Initial yield	6.9%	5.6%	6.5%	6.6%
Equivalent yield	7.6%	6.9%	7.3%	n/a
Property level return	(0.8)%	1.6%	5.1%	3.5%
IPD benchmark return	(0.5)%	1.8%	5.1%	n/a
Reversionary	17.7%	12.3%	8.5%	n/a
Loan to value ratio	70%	57%	52%	74%
Net debt to value ratio	57%	51%	48%	72%
Lease length (years)				
Weighted average lease length to break	8.3	8.8	13.2	7.8
Weighted average lease length to expiry	9.0	10.0	14.5	7.8
Passing rent (£m) of leases expiring in:				
Six months to 30 December 2012	2.8	–	0.4	0.7
Year to 30 December 2013	6.9	–	0.7	5.3
Three years to 30 December 2016	19.5	0.6	1.1	13.2
ERV (£m) of leases expiring in:				
Six months to 30 December 2012	3.0	–	0.5	n/a
Year to 30 December 2013	7.5	–	1.1	n/a
Three years to 30 December 2016	20.6	0.6	1.4	n/a
Passing rent (£m) subject to review in:				
Six months to 30 December 2012	6.8	2.2	6.7	n/a
Year to 30 December 2013	5.4	3.6	4.4	n/a
Three years to 30 December 2016	20.3	11.7	15.8	n/a
ERV (£m) of passing rent subject to review in:				
Six months to 30 December 2012	6.1	2.2	6.7	n/a
Year to 30 December 2013	5.0	3.6	4.8	n/a
Three years to 30 December 2016	22.5	11.3	15.8	n/a
Rental Data				
Contracted rent at period end (£m)	78.1	18.3	41.1	n/a
Passing rent at period end (£m)	74.9	17.3	40.7	26.6
ERV at period end (£m per annum)	88.2	19.4	43.9	n/a
ERV movement (%)	(4.3)	–	0.1	n/a
Vacancy rate (%)	5.5%	4.8%	4.1%	1.3%
Like for like net rental income (100%)				
Properties owned throughout 2011/2012 (£m)	29.9	6.6	17.5	13.9
Acquisitions (£m)	–	–	–	0.8
Disposals (£m)	–	–	–	0.1
Net rental income for the six months to 30 June 2012	**29.9**	**6.6**	**17.5**	**14.8**
Properties owned throughout 2011/2012 (£m)	32.1	6.4	17.1	16.8
Disposals (£m)	4.8	5.2	0.1	–
Net rental income for the six months to 30 June 2011	36.9	11.6	17.2	16.8
Other Data				
Unit Price (£1.00 at inception)	£0.39	£0.20	£0.37	n/a
Group share	20.15%	13.29%	11.93%	49.60%

[1] Excludes German Portfolio 4 joint venture, except for like for like net rental income and revaluation in the year which includes portfolio 4.
[2] Includes The Mall Norwich which was sold on 12 July 2012.

Shareholder information

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0871 384 2438
Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines open 8.30 am to 5.30 pm, Monday to Friday. Overseas shareholders should call +44 121 415 7047.

2012 financial calendar

Interim management statement	November 2012
2012 annual results	March 2013

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

Stock Code: CAL

Capital & Regional plc
52 Grosvenor Gardens
London
SW1W 0AU

Telephone: +44 (0) 20 7932 8000

capreg.com