Interim Report 2007

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Capital & Regional... what we do

- C&R is a co-investing property asset manager. This means that we manage property assets for funds in which we hold a significant stake
- This enables our equity and management to be leveraged over a large portfolio and enhances returns to shareholders
- We aim to build best-of-class specialist management teams for the retail and leisure sectors in which we operate

Our philosophy

- The right property... C&R invests in property sectors with sound fundamentals where active management can make a difference
- The right people... we aim to build best-of-class specialist management teams
- The right money... we are structured as a co-investing asset manager, aiming to access the most efficient equity and debt for each of our activities

Highlights

- Return on equity was 4.8% for the six-month period (June 2006: 19.2%)
- Triple Net Asset Value per share £13.18 (December 2006: £12.72)
- Recurring pre-tax profit up 17% to £17.6 million
- Interim dividend increased to 10p (June 2006: 9p)
- Profit after tax, including revaluation gains, of £42.7 million (June 2006: £135 million)
- Property under management £6.6 billion (June 2006: £5.9 billion)

Track record

	NAV per share		Dividend per share	
December 1996	223p	+19%	3.0p	+20%
December 1997	272p	+22%	3.5p	+17%
December 1998	321p	+18%	4.25p	+21%
December 1999	370p	+17%	5.0p	+18%
December 2000	350p	-5%	5.5p	+10%
December 2001	336p	-4%	6.0p	+11%
December 2002	392p	+17%	7.0p	+17%
December 2003	521p	+33%	9.0p	+29%
December 2004	710p	+36%	14.0p	+56%
December 2005	985p(i)	+38%	18.0p	+29%
December 2006	1272p(i)	+29%	26.0p	+44%
June 2007(ii)	1318p(i)	+4%	10.0p	+11%

(i) Switch to IFRS triple net NAV.

(ii) Six months only.

I am pleased to report a 17% increase in recurring pre-tax profit compared to the same period last year. This comes from growth in our rental income streams, as our asset management initiatives take effect and as rents are rising. It also comes from the growth in our German portfolio which yields a high return on equity.

Income statement

(See note 2)	Six months to 30 June 2007 £m	Six months to 30 June 2006 £m
Net rents	**47.2**	38.2
Interest	**(33.5)**	(28.2)
Contribution	**13.7**	10.0
Management fees	**12.5**	13.5
SNO!zone operating profit	**1.7**	1.2
Salaries and overheads	**(10.3)**	(9.7)
Recurring pre tax profit	**17.6**	15.0

Results

Our dividend has grown by an average of 42% per annum over the past three years. This has been made possible by the strong cash flows coming from our earnings businesses. We have been distributing 80% – 90% of our recurring profits, after allowing for a full tax charge. We do not distribute performance fees or non-recurring gains on revaluation or interest rate swaps, which are reinvested in the growth of the business. The continued strength of our recurring profit stream gives us confidence to increase the interim dividend by 11% to 10p per share.

	2003 pps	2004 pps	2005 pps	2006 pps	2007 pps
Interim	4	5	7	9	10
Final	5	9	11	17	
Total	9	14	18	26	
Increase	29%	56%	29%	44%	

Our statutory profit after tax is £43 million (2006: £135 million) and is prepared under IFRS accounting rules, which require revaluations of our property portfolios and interest rate swaps to be included. IFRS exposes our statutory results to volatility arising from these items which is why we focus on recurring pre-tax profit as a more stable indicator of our performance.

Under IFRS our June 2006 profit after tax recorded £98 million of revaluation gains on our various property interests and £24 million of performance fees arising from the exceptionally strong markets seen last year. 2007 has seen a more moderate gain of £11 million and £8 million of performance fees.

Our **NAV per share** has risen by 4% to £13.18 on a triple net basis, despite a valuation deficit in the Junction fund. The rise stems from continuing rental growth in our shopping centre and leisure businesses, and the impact of continuing asset management initiatives.

Positioning for future growth

Our strong management teams put us in a good position for the future. We already have three long established and specialised teams, each focused on managing a fund with outside investors.

The Group is now building up two further specialised teams focused around portfolios where active management can add value – the FIX trade centre portfolio and the German big box retail portfolio. In time, these could become funds in their own right.

SNO!zone is now a well established and highly profitable business with good growth prospects and very little need for equity. It is of particular value to the Group when seeking locations for new Xscape developments.

Solid occupier markets

In general our retail customer base is in good shape. The high occupancy levels we have seen over recent years have continued and we have seen fewer bankruptcies. The feedback from our shopping centres remains positive and we believe our ability to maximise space utilisation provides us with continued growth prospects. A number of retailers are developing new store formats, which we are keen to accommodate – we pride ourselves on flexibility in this respect.

Occupancy (as % of lettable area)

	30 June 2007	30 June 2006
Mall Fund	**95.5%**	95.0%
Junction Fund	**94.2%**	94.9%
X-Leisure Fund	**96.7%**	97.1%

Access to different sources of capital

Our co-investing model allows the Group access to more than one source of capital. At present we use £922 million of stock market equity and £2.3 billion of fund level equity, largely from UK institutions. The "three balance sheets" table below shows the scale of the enterprise we manage (£6.6 billion) alongside our see-through balance sheet showing our share of each portfolio. Our statutory balance sheet shows smaller figures because we follow the accounting rules for associates and joint ventures.

Three balance sheets

	Enterprise £m	See through £m	Statutory £m
Shopping centres	3,293	798	413
Retail parks	1,555	429	243
Leisure property	1,202	364	227
German big box retail	431	393	431
Trade centres	183	183	183
Total property	6,664	2,167	1,497
Working capital	(8)	37	32
Debt	(3,427)	(1,282)	(607)
Net assets	3,229	922	922
C&R ordinary shares	922	922	922
Fund investors	2,307	–	–
Total equity	3,229	922	922
Loan to value	52%	59%	41%
Gearing (debt/equity)	106%	139%	66%

Property portfolio

Over the last two years we have significantly rebalanced our portfolio. Our exposure to retail parks and shopping centres has fallen, while the trade centre and German portfolios have grown.

Property portfolio – see through basis

	June 07	June 06	June 05
Shopping centres	**37%**	43%	47%
Retail parks	**20%**	27%	34%
Leisure	**17%**	17%	17%
Germany	**18%**	8%	2%
Trade centres	**8%**	5%	0%

Fund performance

The Mall and X-Leisure Funds have continued to outperform in 2007. Following several strong years, The Junction has shown a property level return of -0.5% against the IPD retail parks index of 2.9%. The underperformance arose principally from the fund's exposure to large DIY units where ERV has been reassessed following two third-party rent review appeals, which were decided against other owners.

Fund performance

	Full year 2003	**Full year 2004**	**Full year 2005**	**Full year 2006**	**To 30/6 2007(ii)**
The Mall					
Property level returns	21.7%	19.6%	16.5%	17.6%	**2.9%**
Geared returns	33.5%	26.0%	22.8%	26.3%	**2.3%**
IPD shopping centre index	15.2%	17.1%	16.3%	12.7%	**2.6%(iii)**
The Junction					
Property level returns	17.7%	24.0%	23.3%	15.0%	**(0.5)%**
Geared returns	28.2%	35.6%	34.1%	18.3%	**(3.7)%**
IPD retail parks index	16.6%	23.5%	22.1%	14.7%	**2.9%(iii)**
X-Leisure					
Property level returns		11.4%(i)	15.3%	19.7%	**6.3%**
Geared returns		18.0%(i)	28.3%	30.4%	**5.9%**

(i) Nine months only.

(ii) returns in six months, not annualised.

(iii) Proxy benchmark: IPD – All Quarterly and Monthly Funds for the relevant sector.

Shopping centres – The Mall Fund

From an initial investment of £170 million in 2002, we now have £413 million invested in The Mall Fund, with no additional investment and a sale of £30 million of our units last year. This is our biggest single investment and with fund level gearing this gives an "exposure" to shopping centres of £798 million.

The Mall actively manages a portfolio of 23 shopping centres (8.4m sq ft) spread throughout England and Scotland, making it one of the largest owners and operators of covered retail space in the UK.

The Mall's operations are focused on delivering relevant space for retailers in an entertaining environment for shoppers, all designed to have more people spending more time, more money, more often in our local Community Malls. By succeeding in this, we can deliver sustainable growth in revenues, and again this has been proven in the period under review.

- Footfall is over 1% higher year on year, an additional 2 million shopping visits, with the Footfall National Index showing a 0.4% reversal.
- Occupancy is at 95.5% (95%), with a true void level, i.e. units available to let and not subject to development, of 2.8% (2.8%) of ERV.
- Net rental income is 1% higher, with ancillary revenues arising from the shopper popularity of our Malls, 22.6% higher, representing 10.8% of our revenues (June 2006: 9%).
- Rental value growth, as measured by IPD, is 3.3% since the start of the year compared with IPD Quarterly index of 1.2%.
- Retailer failures are remarkably similar to the corresponding period in 2006, with a net negative effect of 1.4% of The Mall's valued net income: £2.17 million.

At the ungeared property level our market outperformance continues with a total return of 2.9% (IPD; 2.6%). Geared returns after performance fees were 2.3%.

Our equivalent yields remained broadly stable to June 2007 (5.21%); however, these have started to soften in response to general market conditions. This trend is widely predicted to continue at least for the remainder of the year.

The extent of these yield movements is not universal. The dominant, local community positioning of our Malls, trading in economically robust catchments, mitigates some of the adverse market effects, as does the amount and quality of the revenue-positive business initiatives within the portfolio. In July and August we saw adverse yield shift reflected in our published unit prices. However, the underlying business remains strong.

The investment risk profile of the portfolio is supported by the AAA rating of The Mall Bonds financing issued in 2005 at a slim spread of 0.18% over LIBOR.

Retail parks – The Junction Fund

20% of our property exposure is to retail parks, a sector which has shown total property level returns averaging 20% per annum over the last three years. From an initial committed investment of £85 million in 2002 we now have £241 million invested in the Junction Fund and approximately £11 million equity committed to our joint venture development Capital Retail Park in Cardiff. Glasgow Fort also continues to generate returns through our financial interest in further development phases.

Over the past six months we have seen a softening in investor sentiment towards the retail warehouse sector. The market has shown signs of segregation with an increasing distinction between prime and secondary stock. Market transactions are indicating that yields required by investors are increasing due to poor expectations of short-term rental growth and the recent rises in interest rates. The market is therefore anticipating a fall in values for all retail warehousing, particularly secondary stock during 2007.

In the Junction Fund, however, the active management approach remains in place, with emphasis on lettings, facilitation of new entrants and tenant formats, major refurbishments and new space extensions.

We have partially de-geared the Junction Fund by the sale of six secondary or bulky goods retail parks for £199 million over the last 18 months. The fund's debt now stands at 45% of the portfolio value.

The first half of 2007 saw the commencement of construction at Bristol, Aylesbury Phase V and the Swansea Pod with a total of 71,000 sq ft of new space, and the continued refurbishment work at Portsmouth, Maidstone and Oxford.

The funds are also progressing two major developments which are expected to add significant value over the medium to long term.

- **Oldbury, Birmingham:** Junction development has a revised planning permission for 460,000 sq ft of new space, and progress is being made with the pre-letting to Open A1 occupiers. We expect construction to start in 2008.
- **Lakeside, Thurrock:** The Junction owns 65% of a joint venture that owns the existing 555,000 sq ft Open A1 retail and leisure park with additional development land. There is a major opportunity to reconfigure and redevelop this property creating dominant retail and leisure offers.

In Cardiff, construction has started on the 470,000 sq ft Capital Retail Park being developed in a 50/50 joint venture with PMG Estates Limited, a Welsh developer based in Cardiff. The building contract is due to complete in July 2008, when the park will open with strong anchors at each end (Costco and Asda foodstore) and big name occupiers in the retail terrace, including Marks & Spencer and JJB Sports. The development is now 70% pre-let by area and good progress has been made on the last remaining lettings.

Leisure

Our leisure portfolio includes our investments in (i) the X-Leisure Fund which now owns two of the three Xscapes, (ii) two wholly-owned properties at Hemel Hempstead and Great Northern and (iii) two joint ventures – a 30% interest in Manchester Arena and a 50% interest in the Xscape Braehead development. We also own SNO!zone Holdings, now a separately managed earnings business generating substantial profits.

The Leisure market: Spending on leisure activities in general, even if more cautious, has remained strong, and overall the leisure operators have enjoyed good half-year results. It looks like the cinema market in particular should have an excellent year thanks mainly to a very good product line. As for the food and beverage market, the operators are enjoying a good year.

The X-Leisure Fund: Our investment criteria, our dominant leisure locations and multiple asset management initiatives have allowed us to outperform. Total returns for the first half, before performance fees, were a pleasing 7.4%. Our initial investment of £23 million in the X-Leisure Fund in 2004 has grown to £48 million. In addition we acquired a further £51 million in units upon merger of our interests in the Xscapes at Milton Keynes and Castleford.

Xscape: Our investments in Milton Keynes and Castleford/Leeds were sold to the X-Leisure Fund in February 2007. We are pleased that Rockspring, on behalf of the Hanover Property Unit Trust, our joint venture partner at both locations, is rolling its investment into the X-Leisure fund.

Our third Xscape at Braehead is establishing itself in the Scottish market, despite the delay in opening the cinema. Most of our partners there are enjoying trade figures ahead of predictions.

SNO!zone operates the ski slopes at all three Xscape locations. It achieved excellent half-year results, with operating profit rising to £1.7 million, up from £1.2 million for the first six months of 2006. Revenue lines at Milton Keynes and Castleford are still growing, but to a lesser extent than in the past three years, suggesting that the businesses are maturing but still have room for growth. The Braehead business is slowly establishing itself in the Scottish market and there are a number of opportunities for expansion outside the existing locations which are being actively pursued.

Trade centres – FIX UK

We are building up a portfolio of trade counter centres, geared to the needs of trade counter specialists. During the first half we expanded the portfolio from £110 million to £183 million, primarily due to the acquisition of 25 properties at a value of approximately £72 million. We have an acquisition pipeline of a further £21 million in H2 2007 and H1 2008.

Trade centres normally benefit from an industrial planning use with the trade counter sales, and have been bought off yields of 5.00 – 5.75%. The key driver of a trade centre is its location, generally with frontage or visibility to a main arterial route and, at the very least, good traffic flows past the unit. Occupiers are starting to group together to form clusters and parks with increasing evidence that the tenants benefit from being within close proximity.

These prominent schemes are proving to be highly profitable for the occupiers and tenant demand remains strong, helping to fuel rental growth. FIX UK have a good relationship with the top 30 national occupiers who are all looking to gain significant market share within their various areas of trade. It is estimated that there is in the region of 400 national, regional and local occupiers specifically seeking or trading at trade centre locations. There have also been a number of new entrants into the market, most significantly:

- Screwfix, owned by Kingfisher which provides a catalogue and internet business for its customers, now has 68 stores (growth in 18 months) and is targeting 300 by 2011.
- Benchmark, owned by Travis Perkins, is a new kitchen format.
- Trade Depot, also owned by Kingfisher, is more akin to a builder's merchant providing the heavier products to the building trade. They have opened six stores in the last 12 months.

The growth in the existing market and new entrants are leading to increasing demand for the right product. FIX UK achieved rental growth of 2.27% in H1 2007 compared to the standard industrial benchmark of 0.5%. At our site in Canterbury we have driven rents forward from £6.00 per sq ft to £9.00 per sq ft following refurbishment, Milton Keynes continues to perform well recently achieving an agreement for lease at £12.50 per sq ft for a new unit, at Sunderland we have increased rents from £6.00 per sq ft to £6.50 per sq ft and at Hartlepool from £5.50 per sq ft to £6.00 per sq ft.

We have continued to have success in securing planning permissions specifically for trade centre uses, achieving this across 14 schemes.

The property level return on the like-for-like portfolio was approximately 4% during the first half.

German portfolio

We have steadily built up our German portfolio from €567 million in December 2006 to €640 million in June 2007 in spite of increasing competition from local and international institutional investors.

The German economy is growing faster than we expected, and fears that the 3% increase in VAT in January this year would dampen the recovery of consumer spending appear to have been misplaced.

We have concentrated on acquiring well-let out of town big box retail units in trading locations which are unlikely to suffer from new competition.

The portfolio is generating a cash return of 11% per annum on the €137 million of equity invested in Germany. It has strong defensive qualities with low rental values and with partial indexation. In addition, we have some interesting asset management opportunities.

We have a dedicated management team in London which is working closely with our strategic partners, the Hahn Group based near Cologne, and other specialist property consultants.

The overall results for the six months are pleasing, with a property level return of 5.4% and a geared return (before tax) of 14.2%.

Property management

We continue to generate substantial profit from our three fund management contracts as follows:

Profit from property fund management business

	Six months to 30 June 2007 £m	Six months to 30 June 2006 £m
Regular fee income	**12.5**	13.5
Fixed management expense	**(7.7)**	(7.7)
	4.8	5.8
Performance fees	**7.9**	24.4
Variable management expense	**(2.9)**	(5.1)
Profit before tax	**9.8**	25.1

75% of our Group overhead relates to the fund management business, the balance being attributed to our trade centre, German and corporate activities. Variable management expense includes staff bonuses and the cost of the LTIP and CAP schemes which provide an incentive for key individuals to stay with the Company.

Performance fee details

	Mall	**Junction**	**X-Leisure**
Performance fee hurdles (applied to geared fund level returns)	Greater of 12% and IPD + 1%	Greater of 12% and IPD + 1%	12%
Percentage of out performance	<2%-15% 2-4%-20% >4%-25%	<2%-15% 2-4%-20% >4%-25%	<3%-16% 3-6%-20% >6%-24%

Performance fees fell during the half-year due to lower returns throughout the property market. The performance fee earned in any one year relates to the average performance over a three-year period. At the end of 2006 there was a substantial carry forward of performance which will benefit the 2007 and 2008 performance fee calculation. As a result we are still expecting significant performance fees for Mall and X-Leisure during 2007, but we will have eaten into much of the carry forward. No performance fees have been accrued for The Junction because the outlook for retail park yields is more uncertain.

Resilience

We have taken care to make our financing resilient in a wide range of market conditions. At 30 June 2007 we had undrawn Group facilities of £86 million. Our recurring profits covered our interest bill by 152%, and 77% of our debt is hedged for an average of 47 months. Our loan facilities have an average duration of 51 months to expiry.

The flow of income from our asset management business is underwritten by long-term contracts which continue for the life of the funds:

Fund	**Fund Manager**	**Termination date**
Mall	Morley	31 December 2016 with an option for a further five year extension
Junction	Morley	31 December 2011 with an option for a further five year extension
X-Leisure	Hermes	31 December 2018 with an option for a further five year extension

Market outlook

So far we have seen little hard evidence in the tenant market or property investment market to justify recent falls in property share prices, which have mirrored the widespread volatility in financial markets. The coming months will show how far turmoil in the financial markets affects the real economy.

Whatever the outcome I expect our co-investing model to serve us well. Our active approach to property management will put our properties at an advantage in attracting the right tenants and thus generating cash flow.

Martin Barber
Chief Executive

Consolidated income statement

	Note	(Unaudited) Six months to 30 June 2007 £m	Restated (Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Revenue	2c	**49.8**	57.4	132.1
Cost of sales		**(8.7)**	(7.3)	(15.5)
Gross profit		**41.1**	50.1	116.6
Administrative costs		**(14.4)**	(14.8)	(39.0)
Share of profit in joint ventures and associates	9a	**31.1**	105.4	164.6
Gain on revaluation of investment properties	8a	**6.6**	15.4	26.0
Profit on sale of properties and investments		**2.0**	0.8	6.3
Profit on ordinary activities before financing		**66.4**	156.9	274.5
Finance income	3	**0.9**	1.0	2.0
Finance costs	4	**(13.8)**	(11.6)	(25.6)
Profit before taxation		**53.5**	146.3	250.9
Current tax	5	**(1.4)**	(4.6)	(16.5)
Deferred tax	5	**(9.4)**	(6.7)	(12.1)
Tax charge		**(10.8)**	(11.3)	(28.6)
Profit for the period		**42.7**	135.0	222.3
Earnings per share				
Basic earnings per share	7	**59p**	190p	311p
Diluted earnings per share	7	**59p**	183p	305p

Consolidated balance sheet

	Note	(Unaudited) Six months to 30 June 2007 £m	Restated (Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Non-current assets				
Investment property	8a, 8b	**633.6**	371.2	511.4
Interest in long leasehold property	8a, 8b	**17.3**	14.5	16.0
Goodwill		**12.2**	12.2	12.2
Plant and equipment		**0.9**	1.2	1.2
Receivables		**8.5**	28.4	–
Investment in associates	9c	**752.8**	669.6	685.4
Investment in joint ventures	9e	**19.4**	59.0	67.6
Total non-current assets		**1,444.7**	1,156.1	1,293.8
Current assets				
Trading property assets	8a, 8b	**95.0**	94.3	94.4
Receivables		**97.6**	72.4	89.0
Cash and cash equivalents		**37.7**	38.3	35.5
Total current assets		**230.3**	205.0	218.9
Total assets		**1,675.0**	1,361.1	1,512.7
Current liabilities				
Trade and other payables		**(84.4)**	(41.8)	(69.4)
Current tax liabilities		**(26.2)**	(17.4)	(25.5)
Short-term bank loans		**(0.2)**	(0.2)	–
		(110.8)	(59.4)	(94.9)
Non-current liabilities				
Bank loans		**(603.7)**	(432.4)	(456.8)
Convertible subordinated unsecured loan stock	10	**(0.1)**	(2.9)	(1.3)
Minority interest	11	**(12.5)**	(5.3)	(9.3)
Other payables		**(2.6)**	(17.4)	(23.5)
Deferred tax liabilities	5b	**(23.2)**	(8.5)	(13.8)
Total non-current liabilities		**(642.1)**	(466.5)	(504.7)
Total liabilities		**(752.9)**	(525.9)	(599.6)
Net assets		**922.1**	835.2	913.1
Equity				
Called-up share capital	12	**7.1**	7.1	7.2
Share premium account	13	**219.6**	216.9	219.5
Revaluation reserve	13	**4.0**	1.2	2.7
Other reserves	13	**9.2**	11.4	9.6
Capital redemption reserve	13	**4.4**	4.3	4.3
Own shares held	13	**(6.1)**	(3.5)	(6.9)
Retained earnings	13	**683.9**	597.8	676.7
Equity shareholders' funds		**922.1**	835.2	913.1
Triple net, fully diluted net assets per share	14	**£13.18**	£11.63	£12.72
EPRA diluted net assets per share	14	**£13.21**	£11.84	£12.75

Consolidated statement of recognised income and expense

	(Unaudited) Six months to 30 June 2007 £m	Restated (Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Foreign exchange translation differences	**0.1**	0.2	(0.7)
Revaluation gains on owner occupied property	**1.3**	0.8	2.3
Profit for the period/year	**42.7**	135.0	222.3
Net investment hedge	**–**	–	–
Total recognised income and expense	**44.1**	136.0	223.9
Attributable to:			
Equity shareholders	**44.1**	136.0	223.9

Reconciliation of movements in equity shareholders' funds

	(Unaudited) Six months to 30 June 2007 £m	Restated (Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Opening equity shareholders' funds	**913.1**	707.7	707.7
Issue of shares	**0.1**	–	2.7
Acquisition of own shares	**–**	(3.4)	(8.3)
Credit in respect of LTIP charge	**0.9**	1.0	2.1
Share buyback and cancellation	**(15.2)**	–	–
Arising on repurchase of CULS	**(8.8)**	–	(0.8)
Other movements	**–**	1.5	(0.1)
	890.1	706.8	703.3
Total recognised income and expense	**44.1**	136.0	223.9
	934.2	842.8	927.2
Dividends paid	**(12.1)**	(7.6)	(14.1)
Closing equity shareholders' funds	**922.1**	835.2	913.1

Consolidated summary cash flow statement

	Note	**(Unaudited) Six months to 30 June 2007 £m**	(Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Net cash generated from operations	16	**4.0**	6.1	89.5
Distributions received from joint ventures and associates		**15.9**	12.7	21.9
Interest paid		**(13.5)**	(10.0)	(22.1)
Interest received		**1.0**	1.0	1.9
Income tax received/(paid)		**0.3**	(0.2)	(3.8)
Cash flows from operating activities		**7.7**	9.6	87.4
Investing activities				
Acquisition of investment properties		**(102.0)**	(37.2)	(251.4)
Capital expenditure on investment and trading properties		**(6.0)**	–	(2.0)
Proceeds from sale of investment and trading properties		**–**	1.1	111.0
Investment in joint ventures		**(2.7)**	–	(8.1)
Loans to joint ventures		**(2.8)**	(0.7)	(0.7)
Return of investments		**0.2**	–	–
Loan repaid by joint ventures		**0.7**	–	–
Disposal of units in associated entity		**–**	–	30.0
Acquisitions and disposals		**(0.1)**	(0.2)	(14.4)
Cash flows from investing activities		**(112.7)**	(37.0)	(135.6)
Financing activities				
Proceeds from the issue of ordinary share capital		**0.1**	0.1	0.4
Repurchase and cancellation of own shares		**(15.3)**	–	–
Purchase of LTIP shares		**(1.3)**	(3.4)	(8.3)
Repurchase of CULS		**(10.5)**	–	–
Bank loans drawn down		**146.9**	36.8	64.4
Dividends paid to minority interests		**(0.6)**	(0.3)	(0.6)
Equity dividends paid		**(12.1)**	(7.6)	(14.1)
Cash flows from financing activities		**107.2**	25.6	41.8
Net increase/(decrease) in cash and deposits		**2.2**	(1.8)	(6.4)
Cash and cash equivalents at beginning of period/year		**35.5**	40.1	40.1
Effect of foreign exchange rate changes		**–**	–	1.8
Cash and cash equivalents at end of period/year		**37.7**	38.3	35.5

1 Accounting policies

The interim financial information has been prepared using the accounting policies set out in the annual report for the year ended 30 December 2006.

The comparative figures represent the Group's results and cash flows for the period from 31 December 2005 to 30 June 2006 and for the year from 31 December 2005 to 30 December 2006. The June 2006 results have been restated to reflect the treatment of German minority interests as a financial liability.

The Group's financial performance does not suffer materially from seasonal fluctuations. Performance fees at the half-year are based on estimates. There have been no changes in amounts reported in the prior periods, which have a material impact on the current interim period. There have been no material changes in reportable contingent liabilities since 30 December 2006.

The comparative figures for the year ended 30 December 2006 do not constitute the Company's statutory accounts for that period as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2 Segmental analysis

2a Business and geographic segments on a see through basis 2007

The Group operates in two main business segments, an assets business and an earnings business. The assets business consists of property investment activities and the earnings business consists of property management activities and the ski slope business of SNO!zone.
The businesses are the basis on which the Group reports its primary business segments.

		Assets		Earnings		Six months to 30 June 2007
2007	Note	Property investment UK £m	Property investment Germany £m	Property management UK £m	SNO!zone £m	**Total £m**
Net rents	2b	34.6	12.6	–	–	**47.2**
Net interest	2b	(26.1)	(7.4)	–	–	**(33.5)**
Contribution	2b	8.5	5.2	–	–	**13.7**
Management fees	2c	–	–	12.5	–	**12.5**
SNO!zone income	2c	–	–	–	7.5	**7.5**
SNO!zone expenses		–	–	–	(5.8)	**(5.8)**
Management expenses		(2.3)	(0.3)	(7.7)	–	**(10.3)**
Recurring pre-tax profit		6.2	4.9	4.8	1.7	**17.6**
Performance fees	2c, 9f	–	–	7.9	–	**7.9**
Cost of performance fees	9c	(2.2)	–	–	–	**(2.2)**
Variable overhead		–	–	(2.9)	–	**(2.9)**
(Loss)/gain on investment properties		(0.3)	11.0	–	–	**10.7**
Profit on disposals		3.7	–	–	–	**3.7**
Gain on interest rate swaps		18.1	3.9	–	–	**22.0**
Other non-recurring items		–	(2.9)	–	(0.4)	**(3.3)**
Profit before tax		25.5	16.9	9.8	1.3	**53.5**
Tax						**(10.8)**
Profit after tax						**42.7**
Assets		1,091.5	454.6	122.8	6.1	**1,675.0**
Liabilities		(356.8)	(342.9)	(49.2)	(4.0)	**(752.9)**
Net assets at 30 June 2007		734.7	111.7	73.6	2.1	**922.1**
Capital expenditure (see through basis)		150.7	36.6	1.2	–	**188.5**

2b Contribution and Net Assets on a see through basis 2007

2007	Note	Gross rent £m	Property costs £m	Net rent £m	Net interest £m	**Contribution Six months to 30 June 2007 Total £m**	**Net assets 30 June 2007 Total £m**
Mall (C&R share 24.24%)	9c	21.3	(5.8)	15.5	(9.2)	**6.3**	**412.6**
Junction (C&R share 27.32%)	9c	8.5	(1.3)	7.2	(4.6)	**2.6**	**241.4**
X-Leisure (C&R share 20.5%)	9c	4.3	(1.0)	3.3	(2.2)	**1.1**	**98.8**
Total associates	9c	34.1	(8.1)	26.0	(16.0)	**10.0**	**752.8**
Xscape Braehead	9e	1.1	(0.4)	0.7	(0.9)	**(0.2)**	**8.5**
Manchester Evening News Arena	9e	0.8	(0.1)	0.7	(0.5)	**0.2**	**7.2**
Others(i)	9e	0.7	(0.4)	0.3	(0.4)	**(0.1)**	**3.7**
Total joint ventures	9e	2.6	(0.9)	1.7	(1.8)	**(0.1)**	**19.4**
Germany	2d	13.9	(1.3)	12.6	(7.4)	**5.2**	**111.7**
FIX UK		4.2	(0.4)	3.8	(2.7)	**1.1**	**67.9**
Other UK		0.6	(0.3)	0.3	(3.7)	**(3.4)**	**(54.9)**
Great Northern		3.2	(0.4)	2.8	(1.9)	**0.9**	**25.2**
	2c	21.9	(2.4)	19.5	(15.7)	**3.8**	**149.9**
Total		58.6	(11.4)	47.2	(33.5)	**13.7**	**922.1**

(i) Includes the share of results for Xscape Milton Keynes and Xscape Castleford up to the date of sale (23 February 2007). Net assets include the joint ventures at Glasgow Fort and Cardiff.

2a Business and geographic segments on a see through basis 2006

2006	Note	Assets: Property investment UK £m	Property investment Germany £m	Earnings: Property management UK £m	SNO!zone £m	Restated Six months to 30 June 2006 Total £m
Net rents	2b	33.4	4.8	–	–	38.2
Net interest	2b	(24.8)	(3.4)	–	–	(28.2)
Contribution	2b	8.6	1.4	–	–	10.0
Management fees	2c	–	–	13.5	–	13.5
SNO!zone income	2c	–	–	–	6.1	6.1
SNO!zone expenses		–	–	–	(4.9)	(4.9)
Management expenses		(2.0)	–	(7.7)	–	(9.7)
Recurring pre-tax profit		6.6	1.4	5.8	1.2	15.0
Performance fees	2c, 9f	–	–	24.4	–	24.4
Cost of performance fees	9c	(8.1)	–	–	–	(8.1)
Variable overhead		–	–	(5.1)	–	(5.1)
Gain on investment properties		93.7	4.3	–	–	98.0
Profit on disposals		4.7	–	–	–	4.7
Gain on interest rate swaps		18.7	–	–	–	18.7
Other non-recurring items		–	(0.9)	–	(0.4)	(1.3)
Profit before tax		115.6	4.8	25.1	0.8	146.3
Tax						(11.3)
Profit after tax						135.0
Assets		1,085.6	173.2	100.1	2.2	1,361.1
Liabilities		(357.7)	(124.4)	(40.3)	(3.5)	(525.9)
Net assets/(liabilities) at 30 June 2006		727.9	48.8	59.8	(1.3)	835.2
Capital expenditure (see through basis)		131.5	22.9	1.3	–	155.7

2b Contribution and Net Assets on a see through basis 2006

2006	Note	Gross rent £m	Property costs £m	Net rent £m	Net interest £m	Contribution Six months to 30 June 2006 Total £m	Net assets 30 June 2006 Total £m
Mall (C&R share 26.12%)		23.4	(6.8)	16.6	(9.1)	7.5	409.6
Junction (C&R share 27.32%)		7.5	(1.7)	5.8	(4.7)	1.1	222.6
X-Leisure (C&R share 10.59%)		2.4	(0.6)	1.8	(1.2)	0.6	37.4
Total Associates	9c	33.3	(9.1)	24.2	(15.0)	9.2	669.6
Xscapes (C&R share)		2.9	(0.7)	2.2	(2.1)	0.1	52.4
Others (C&R share)		–	–	–	–	–	6.6
Total joint ventures	9e	2.9	(0.7)	2.2	(2.1)	0.1	59.0
Other UK[i]		3.2	–	3.2	(4.5)	(1.3)	17.8
FIX UK		2.1	(0.2)	1.9	(1.4)	0.5	38.9
Great Northern		2.5	(0.6)	1.9	(1.8)	0.1	1.1
Germany		5.6	(0.8)	4.8	(3.4)	1.4	48.8
Total	2c	13.4	(1.6)	11.8	(11.1)	0.7	106.6
Total		49.6	(11.4)	38.2	(28.2)	10.0	835.2

(i) Net assets includes the Group's share of the joint venture at Glasgow Fort of £6.2 million.

2c Revenue

	Note	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Assets business				
Property investment – wholly-owned gross rents	2b	**21.9**	13.4	28.9
Earnings business				
Property management – management fees	2a	**12.5**	13.5	27.4
Property management – performance fees	2a, 9f	**7.9**	24.4	62.6
SNO!zone	2a	**7.5**	6.1	13.1
Other revenue		**–**	–	0.1
Revenue per consolidated income statement		**49.8**	57.4	132.1
Finance income	3	**0.9**	1.0	2.0
Total revenue		**50.7**	58.4	134.1

CRPM earns performance fees on the out performance of the funds. The performance fees accrued in the period to 30 June 2007 are £7.9 million (30 June 2006: £24.4 million) – see note 9f.

2d Geographical segments

	Note	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Revenue by geographical market				
United Kingdom		**36.8**	52.8	119.8
Germany	2b	**13.9**	5.6	14.3
Total revenue	2c	**50.7**	58.4	134.1
Segment net assets				
United Kingdom		**810.4**	786.4	809.6
Germany	2b	**111.7**	48.8	103.5
Total assets	2b	**922.1**	835.2	913.1
Capital expenditure (C&R share)				
United Kingdom		**151.9**	132.8	187.9
Germany	2a	**36.6**	22.9	234.1
Total capital expenditure	2a	**188.5**	155.7	422.0

3 Finance income

	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Interest receivable	**0.9**	0.9	1.9
Other income	**–**	0.1	0.1
Finance income	**0.9**	1.0	2.0

4 Finance costs

	Note	(Unaudited) Six months to 30 June 2007 £m	Restated (Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Interest on bank loans and overdrafts		**14.0**	11.8	23.0
Interest receivable on swaps		**–**	(0.4)	(0.6)
Interest on other loans		**0.4**	0.1	0.3
Interest payable		**14.4**	11.5	22.7
Unwinding of the discount on CAP awards		**1.0**	0.7	2.2
Share of income attributable to minority interests classified as a liability	11	**1.5**	0.9	2.6
Gain in fair value of interest rate swaps		**(4.5)**	(1.5)	(3.1)
Fair value gains on interest rate swaps transferred from equity		**(0.1)**	–	(0.1)
Other interest payable		**1.5**	–	1.3
Finance costs		**13.8**	11.6	25.6

5 Taxation

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

5a Tax charge/(credit)

	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Current tax charge/(credit)			
UK corporation tax	**–**	4.6	6.6
Adjustments in respect of prior years	**(0.1)**	–	9.7
Foreign tax	**1.5**	–	0.2
Total current tax	**1.4**	4.6	16.5
Deferred tax			
On net income before revaluations and disposals	**5.5**	5.1	9.7
On revaluations and disposals	**3.9**	1.6	0.3
Adjustments in respect of prior years	**–**	–	2.1
Total deferred tax	**9.4**	6.7	12.1
Total taxation	**10.8**	11.3	28.6

5b Deferred tax movements

	Capital gains net of capital losses £m	Capital allowances £m	Other timing differences £m	Total £m
As at 30 December 2006	5.7	10.4	(2.3)	13.8
Recognised in income	3.9	1.0	4.5	9.4
As at 30 June 2007	**9.6**	**11.4**	**2.2**	**23.2**

The calculation of the Group's tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. In such cases, the Group has reserved on the basis that these provisions are required. If all such issues are resolved in the Group's favour, provisions of up to £18.4 million could be released in future periods.

A significant part of the Group's property interests are held offshore. The Group has also undertaken a restructuring of its activities to separate legally its assets and earnings businesses, in line with its business model. The Group has been advised that no capital gains tax liability arises on these transactions although the relevant computations have yet to be agreed.

The UK deferred tax liability is calculated at 28% being the rate applicable from 1 April 2008 and was substantially enacted before 30 June 2007.

6 Interim dividend

The proposed interim dividend of 10p per share (30 June 2006: 9p per share) was approved by the Board on 17 September 2007 and is payable on 12 October 2007 to shareholders on the register at close of business on 28 September 2007.

7 Earnings per share

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

	(Unaudited) Six months to 30 June 2007 Basic £m	Diluted £m	EPRA diluted £m
Earnings			
Profit for the period	42.7	42.7	42.7
Revaluation movements on investment properties	–	–	(10.7)
Profit on disposal of investment properties	–	–	(3.7)
Movement in fair value of interest rate swaps	–	–	(22.0)
Deferred tax charge	–	–	9.4
	42.7	**42.7**	**15.7**
Number of shares	72.3	72.3	72.3
Dilutive share options	–	0.4	0.4
Conversion of Convertible Unsecured Loan Stock	–	0.1	0.1
	72.3	**72.8**	**72.8**
Earnings per share (pence) – six months ended 30 June 2007	**59**	**59**	**22**
Earnings per share (pence) – six months to 30 June 2006	190	183	28
Earnings per share (pence) – year to 30 December 2006	311	305	46

The calculation includes the full conversion of the Convertible Unsecured Loan Stock where the effect on earnings per share is dilutive. Own shares held are excluded from the weighted average number of shares.

8 Property assets

8a Wholly-owned property assets

	Freehold investment property assets £m	Leasehold investment property assets £m	Sub-total investment property assets £m	Owner–occupied building £m	Trading property assets £m	Total property assets £m
Cost or valuation						
As at 31 December 2006	494.0	17.4	511.4	16.0	94.4	**621.8**
Exchange adjustments	(0.1)	–	(0.1)	–	–	**(0.1)**
Additions	6.3	–	6.3	–	0.6	**6.9**
Acquisitions	109.5	–	109.5	–	–	**109.5**
Disposals	(0.1)	–	(0.1)	–	–	**(0.1)**
Revaluation movement recognised in income	6.6	–	6.6	–	–	**6.6**
Revaluation movement recognised in equity	–	–	–	1.3	–	**1.3**
As at 30 June 2007	**616.2**	**17.4**	**633.6**	**17.3**	**95.0**	**745.9**

8b Investment property assets

	Valuer	Basis of valuation	Note	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m
Group properties	DTZ Debenham Tie Leung	Market value		**434.1**	164.1
	CB Richard Ellis Limited	Market value		**183.3**	87.2
	Directors' valuations	Market value		**0.2**	0.2
	King Sturge	Market value		**17.4**	122.7
				635.0	374.2
Less: unamortised tenant incentives				**(1.4)**	(3.0)
Total investment properties			8a	**633.6**	371.2
Other fixed assets	DTZ Debenham Tie Leung	Existing use	8a	**17.3**	14.5
Trading property asset		Historic cost	8a	**95.0**	94.3
Total property assets			8a	**745.9**	480.0
Properties held by joint ventures					
Xscape Milton Keynes Partnership	Jones Lang LaSalle/DTZ	Market value		**–**	105.4
Xscape Castleford Partnership	Jones Lang LaSalle/DTZ	Market value		**–**	73.5
Xscape Braehead Partnership	Jones Lang LaSalle/DTZ	Market value		**81.8**	76.5
Manchester Evening News Arena	CB Richard Ellis Limited	Market value		**68.0**	–
Capital Retail Parks Partnership		Historic cost		**18.5**	–
				168.3	255.4
Plus: head leases treated as finance leases				**3.4**	–
Less: unamortised tenant incentives				**(6.8)**	(11.1)
Total investment properties			9e	**164.9**	244.3
Properties held by associates					
The Mall Limited Partnership	DTZ Debenham Tie Leung	Market value		**3,194.3**	2,987.8
The Junction Limited Partnership	King Sturge	Market value		**1,564.0**	1,439.5
X-Leisure Limited Partnership	Jones Lang LaSalle	Market value		**940.6**	761.1
				5,698.9	5,188.4
Plus: head leases treated as finance leases					
Less: unamortised tenant incentives				**124.8**	83.8
				(50.3)	(25.4)
Total investment properties			9c	**5,773.4**	5,246.8

The independent property valuations as at 30 June 2007, were performed by qualified professional valuers working for DTZ Debenham Tie Leung, Chartered Surveyors, CB Richard Ellis Limited, Chartered Surveyors, Jones Lang LaSalle, Chartered Surveyors and King Sturge, Chartered Surveyors.

The properties were valued on the basis of market value, with the exception of 10 Lower Grosvenor Place, London SW1, which was appraised on the basis of existing use value. All valuations were carried out in accordance with the Royal Institute of Chartered Surveyors Appraisals and Valuation Standards.

9 Associates and joint ventures
9a Share of profit

	Note	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m
Associates	9c	**24.4**	96.3
Joint ventures	9e	**6.7**	9.1
		31.1	105.4

9b Investment in associates

	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m
At 31 December	**685.4**	583.7
Investment in X-Leisure Fund	**53.9**	–
Dividends and capital distributions received	**(10.9)**	(10.4)
Share of results (see below)	**24.4**	96.3
At 30 June	**752.8**	669.6

9c Analysis of investment in associates

	Note	The Mall LP £m	The Junction LP £m	X-Leisure[(i)] LP £m	(Unaudited) Six months to 30 June 2007 Total £m	(Unaudited) Six months to 30 June 2006 Total £m
Income statement (100%)						
Revenue		87.8	31.1	24.7	**143.6**	140.1
Property expenses		(16.2)	(0.8)	(2.7)	**(19.7)**	(18.9)
Management expenses		(7.6)	(4.2)	(3.0)	**(14.8)**	(19.0)
Net rents		64.0	26.1	19.0	**109.1**	102.2
Net interest payable		(38.1)	(18.4)	(12.3)	**(68.8)**	(63.7)
Contribution		25.9	7.7	6.7	**40.3**	38.5
Performance fees	9f	(4.4)	–	(6.6)	**(11.0)**	(33.1)
Gain/(loss) on investment properties		18.9	(37.6)	26.0	**7.3**	324.2
(Loss) on sale of investment properties		(0.1)	(2.7)	–	**(2.8)**	5.8
Fair value of interest rate swaps		42.6	18.0	9.2	**69.8**	67.1
Profit/(loss) before and after tax		82.9	(14.6)	35.3	**103.6**	402.5
Balance sheet (100%)						
Investment property	8b	3,293.4	1,536.6	943.4	**5,773.4**	5,246.8
Non-current assets		2.2	–	–	**2.2**	–
Current assets		184.2	109.2	64.0	**357.4**	230.0
Current liabilities		(165.0)	(62.6)	(89.9)	**(317.5)**	(321.5)
Non-current liabilities		(1,611.2)	(702.9)	(436.0)	**(2,750.1)**	(2,420.0)
Net assets (100%)		1,703.6	880.3	481.5	**3,065.4**	2,735.3
C&R interest at period end		24.24%	27.32%	20.50%	**–**	–
C&R interest at start of period		24.24%	27.32%	10.59%	**–**	–
C&R average interest during the period		24.24%	27.32%	17.60%	**–**	–
Group share of						
Revenue	2b	21.3	8.5	4.3	**34.1**	33.3
Net rents	2b	15.5	7.2	3.3	**26.0**	24.2
Net interest payable	2b	(9.2)	(4.6)	(2.2)	**(16.0)**	(15.0)
Contribution	2b	6.3	2.6	1.1	**10.0**	9.2
Performance fees	2a	(1.1)	–	(1.1)	**(2.2)**	(8.1)
Gain/(loss) on investment properties		5.2	(10.4)	3.8	**(1.4)**	77.6
Profit on sale of investment properties		–	1.1	–	**1.1**	1.4
Fair value of interest rate swaps		10.4	4.9	1.6	**16.9**	16.2
Profit/(loss) before and after tax	9b	20.8	(1.8)	5.4	**24.4**	96.3
Investment property		798.3	419.8	193.4	**1,411.5**	1,268.2
Non-current assets		0.5	–	–	**0.5**	–
Current assets		44.7	29.8	13.1	**87.6**	56.5
Current liabilities		(40.0)	(17.1)	(18.3)	**(75.4)**	(76.8)
Non-current liabilities		(390.6)	(192.0)	(89.4)	**(672.0)**	(578.0)
Associate net assets		**412.9**	**240.5**	**98.8**	**752.2**	669.9
Unrealised profit on sale of property to associate		(0.3)	0.9	–	**0.6**	(0.3)
Group share of associate net assets		**412.6**	**241.4**	**98.8**	**752.8**	669.6

(i) X-Leisure LP is accounted for as an associate as Capital & Regional has significant influence arising from its membership of the General Partner Board.

9d Investment in joint ventures

	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m
At 31 December	**67.6**	49.8
Net assets disposed of on sale of Xscape Milton Keynes and Xscape Castleford to X-Leisure Fund	**(51.3)**	–
Investment in joint venture	**2.4**	0.9
Dividends and capital distributions received	**(6.0)**	(0.8)
Share of results (see below)	**6.7**	9.1
	19.4	59.0

9e Analysis of investment in joint ventures

	Note	Xscape Braehead Partnership £m	Manchester Arena £m	Others(i) £m	(Unaudited) Six months to 30 June 2007 Total £m	(Unaudited) Six months to 30 June 2006 Total £m
Income statement (100%)						
Revenue		2.1	2.5	1.5	**6.1**	5.3
Property expenses		(0.7)	(0.2)	(0.7)	**(1.6)**	(1.0)
Management expenses		(0.1)	(0.1)	–	**(0.2)**	(0.2)
Net rents		1.3	2.2	0.8	**4.3**	4.1
Net interest payable		(1.7)	(1.5)	(0.9)	**(4.1)**	(3.7)
Contribution		(0.4)	0.7	(0.1)	**0.2**	0.4
(Loss)/gain on investment properties		(0.2)	1.5	9.6	**10.9**	10.4
Profit on sale of investment properties		–	–	1.2	**1.2**	5.5
Fair value of interest rate swaps		0.6	1.1	–	**1.7**	1.9
Profit before and after tax		–	3.3	10.7	**14.0**	18.2
Balance sheet (100%)						
Investment property	8b	75.0	71.4	18.5	**164.9**	244.3
Current assets		10.7	5.2	6.9	**22.8**	39.5
Current liabilities		(8.2)	(4.9)	(6.9)	**(20.0)**	(20.7)
Non-current liabilities		(60.5)	(47.5)	(12.0)	**(120.0)**	(152.3)
Net assets (100%)		17.0	24.2	6.5	**47.7**	110.8
C&R interest at period end		50%	30%	50-66.67%		
Group share of						
Revenue	2b	1.1	0.8	0.7	**2.6**	2.9
Net rents	2b	0.7	0.7	0.3	**1.7**	2.2
Net interest payable	2b	(0.9)	(0.5)	(0.4)	**(1.8)**	(2.1)
Contribution	2b	(0.2)	0.2	(0.1)	**(0.1)**	0.1
(Loss)/gain on investment properties		(0.1)	0.5	5.2	**5.6**	5.2
Profit on sale of investment properties		–	–	0.6	**0.6**	2.8
Fair value of interest rate swaps		0.3	0.3	–	**0.6**	1.0
Profit before and after tax	9d	–	1.0	5.7	**6.7**	9.1
Investment property		37.5	21.4	9.3	**68.2**	133.9
Current assets		5.4	1.6	3.8	**10.8**	20.7
Current liabilities		(4.1)	(1.5)	(3.4)	**(9.0)**	(11.0)
Non-current liabilities		(30.3)	(14.3)	(6.0)	**(50.6)**	(84.6)
Group share of joint venture net assets		8.5	7.2	3.7	**19.4**	59.0

(i) Principally the joint ventures at Glasgow Fort with British Land plc (formerly Pillar Properties plc) and at Cardiff, but also includes the results of Xscape Milton Keynes and Castleford up to the date of sale (23 February 2007).

9f Performance fees

	Note	The Mall LP £m	The Junction LP £m	X-Leisure LP £m	**(Unaudited) Six months to 30 June 2007 Total £m**	(Unaudited) Six months to 30 June 2006 Total £m
Property manager – payable to C&R	2a	2.7	–	5.2	**7.9**	24.4
Property manager – payable by C&R to others		0.6	–	–	**0.6**	–
Fund manager – payable to others		1.1	–	1.4	**2.5**	8.7
Total performance fees	9c	4.4	–	6.6	**11.0**	33.1

10 Convertible Subordinated Unsecured Loan Stock

In 1996 the Company issued £26 million of Convertible Unsecured Loan Stock ("CULS"). Under IFRS these are accounted for as part debt and part equity. Interest is charged on the debt at an effective rate of 11.25% of which 6.75% is paid as a coupon and the balance rolled up in to the value of the debt. The debt element is marked to market on the assumption that the debt remains outstanding until 2016 when it is repayable.

Since 1996 the majority of the CULS have either been converted or bought back in the market by the Group. During the period the Group bought back in the market £1.6 million of CULS at a total cost of £10.5 million. At 30 June 2007 CULS with a nominal value of £0.1 million remained. On 12 September 2007 a further £0.1 million of CULS were converted into shares and at the date of this report there are no CULS remaining.

The CULS may be converted by the holders of the stock into 51.42 (2006: 51.42) ordinary shares per £100 nominal value CULS in any of the years 1997 to 2015 inclusive, representing a conversion price of 194p (2006: 194p) per ordinary share. The CULS are unsecured and are subordinated to all other forms of unsecured debt but rank in priority to the holders of the ordinary shares in the Company.

11 Minority interest

As a result of the Group's change to reporting under IFRS the minority interest, arising from the Group's German operations, has been reclassified as a liability. It had previously been treated as equity. Under the terms of the contract the minority has a put option to sell their share back to the Group at any time after 31 December 2009.

	Note	**(Unaudited) 30 June 2007 £m**	(Unaudited) 30 June 2006 £m	30 December 2006 £m
As at 31 December		**9.3**	4.1	4.1
Share of income and expense	4	**1.5**	0.9	2.6
Dividend paid		**(0.6)**	–	(0.7)
Arising on acquisition		**2.3**	0.3	3.3
		12.5	5.3	9.3

12 Called up share capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	30 June 2007 Number	30 June 2006 Number	**30 June 2007 £000**	30 June 2006 £000
Ordinary shares of 10p each				
At 31 December	**72,388,723**	64,039,578	**7,239**	6,404
New share issues	**–**	6,560,000	**–**	656
Shares repurchased and cancelled	**(1,285,099)**	–	**(129)**	–
Issued on exercise of share options	**50,000**	35,000	**5**	4
At 30 June	**71,153,624**	70,634,578	**7,115**	7,064

	Authorised **2007**	Authorised 2006
Ordinary shares of 10p each	**150,000,000**	150,000,000

During the period the Group repurchased and cancelled 1.3 million shares for a total consideration of £15.3 million.

Since the period end the Group has repurchased and cancelled a further 0.2 million shares for a total consideration of £1.9 million.

13 Reserves

	Share premium account £m	Revaluation reserve £m	Other reserves[(i)] £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total £m
As at 31 December 2006	219.5	2.7	9.6	4.3	(6.9)	676.7	905.9
Shares issued at a premium	0.1	–	–	–	–	–	0.1
Share buy back and cancellation	–	–	–	0.1	–	(15.2)	(15.1)
Foreign exchange differences	–	–	0.1	–	–	–	0.1
Revaluation of owner-occupied property	–	1.3	–	–	–	–	1.3
Conversion of CULS	–	–	(0.5)	–	–	(8.3)	(8.8)
Credit in respect of LTIP charge	–	–	–	–	–	0.9	0.9
Amortisation of cost of own shares	–	–	–	–	0.8	(0.8)	–
Dividend paid	–	–	–	–	–	(12.1)	(12.1)
Profit for the period	–	–	–	–	–	42.7	42.7
As at 30 June 2007	**219.6**	**4.0**	**9.2**	**4.4**	**(6.1)**	**683.9**	**915.0**

(i) Other reserves include those arising on acquisition, the adoption of IFRS 1 in respect of the market value of swaps and the translation of foreign currency.

14 Net assets per share

The European Public Real Estate Association ("EPRA") has issued recommended bases for the calculation of certain net asset per share information and this is shown in the following notes.

	30 June 2007 Net assets £m	**30 June 2007 Number of shares m**	**30 June 2007 Net assets per share £**	30 June 2006 Net assets per share £	30 December 2006 Net assets per share £
Basic	**922.1**	**71.1**	**12.97**	11.74	12.61
Own shares held	**–**	**(0.9)**			
Fair value of borrowings (net of tax)	**3.8**	**–**			
Fair value of trading properties	**5.0**	**–**			
Conversion of CULS	**0.1**	**0.1**			
Dilutive share options	**1.1**	**0.4**			
Triple net, fully diluted net assets per share	**932.1**	**70.7**	**13.18**	11.63	12.72
Exclude fair value of interest rate swaps (net of tax)	**(15.3)**	**–**			
Exclude fair value of borrowings (net of tax)	**(3.8)**	**–**			
Exclude deferred tax on unrealised gains and capital allowances	**21.0**	**–**			
EPRA diluted net assets per share	**934.0**	**70.7**	**13.21**	11.84	12.75

15 Return on equity

	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Total recognised income and expense attributable to equity shareholders	**44.1**	136.0	223.9
Opening equity shareholders' funds	**913.1**	707.7	707.7
Return on equity	**4.8%**	19.2%	31.6%

16 Reconciliation of net cash generated from operations

	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Profit on ordinary activities before financing	**66.4**	156.9	274.5
Less:			
Share of profit in joint ventures and associates	**(31.1)**	(105.4)	(164.6)
Gain on revaluation of investment properties	**(6.6)**	(15.4)	(26.0)
(Profit)/loss on sale of trading and development properties	**(0.3)**	(0.4)	1.5
Depreciation of other fixed assets	**0.1**	0.2	0.3
Amortisation of short leasehold properties	**–**	–	0.1
Amortisation of tenant incentives	**0.2**	0.1	(0.9)
Profit on sale of investment properties	**(1.7)**	(0.4)	(6.0)
(Increase) in receivables	**(20.2)**	(24.1)	(3.3)
Increase/(decrease) in payables	**(3.7)**	(6.7)	6.9
Unrealised loss on exchange	**–**	–	4.9
Non-cash movement relating to the LTIP	**0.9**	1.3	2.1
Cash generated from operations	**4.0**	6.1	89.5

17 Debt valuation

The table below reflects the adjustment to the interim and full year net asset value, required to adjust the carrying value of fixed-rate debt to market value, after the impact of corporation tax.

	(Unaudited) Six months to 30 June 2007 £m	(Unaudited) Six months to 30 June 2006 £m	Year to 30 December 2006 £m
Fixed rate loans – fair value adjustment	**5.4**	3.1	3.1
Increase in net assets net of tax at 30% (2006: 30%)	**3.8**	2.2	2.2

Independent review report to Capital & Regional plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the reconciliation of movements in equity shareholders' funds, the consolidated summary cash flow statement and related notes 1 to 17. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
18 September 2007

Properties under management at 30 June 2007 (neither audited nor reviewed)

Portfolio under management (i) (ii)

	30 June 2007 £m	30 June 2006 £m	30 December 2006 £m
Investment properties	**652**	372	512
Trading property	**100**	94	94
The Mall Fund	**3,194**	2,988	3,125
The Junction Fund	**1,564**	1,439	1,590
X-Leisure Fund	**941**	761	807
Other joint ventures	**168**	255	329
Total	**6,619**	5,909	6,457

Properties under management above are shown at valuation and do not include the adjustments in respect of:

(i) Accounting for head leases that are deemed to be finance leases.

(ii) The treatment required by IFRS of rent free periods, capital contributions and leasing costs.

Fund portfolio information at 30 June 2007 (neither audited nor reviewed)

	The Mall	The Junction	X-Leisure	German Portfolio	FIX UK
Physical data					
Number of core properties	23	15	18	48	49
Number of lettable units	2,479	237	373	168	243
Lettable space (sq ft – '000s)	8,428	3,552	3,450	4,843	1,591
Rental Increase (ERV) %	3.41%	(1.01%)	1.13%	n/a	2.27%
Valuation data					
Properties at market value (£m)[i]	£3,194m	£1,564m	£941m	£431m	£183m
Revaluation in the year (£m)	£22.6m	(£36.4m)	£24.9m	£11.0m	(£4.1m)
Initial Yield (%)	4.41%	3.43%	4.77%	5.96%	4.82%
Equivalent yield (%)	5.21%	4.50%	5.51%	n/a	5.62%
Geared returns (%)	2.30%	(3.68%)	5.90%	14.20%	(5.13%)
Property level return (%)	2.90%	(0.50%)	6.30%	5.37%	(0.39%)
Reversionary %	16.86%	15.63%	5.63%	n/a	5.75%
Loan to value ratio (%)	48.54%	45.15%	46.71%	71.46%	64.82%
Rental data					
Passing rent (£m)	£166.2m	£57.3m	£47.4m	£28.9m	£9.34m
Estimated rental value (£m per annum)	£193.8m	£71.3m	£55.2m	n/a	£10.87m
Vacancy rate (%)	4.50%	5.84%	3.30%	0.64%	5.46%

	£m	£m	£m	£m	£m
Like-for-like net rental income					
30 June 2007 – six months net rental income					
Properties owned throughout 1H 2007	60.4	24.0	18.7	5.7	1.8
Acquisitions	9.6	0.2	2.8	0.7	1.8
Disposals	–	0.5	0.2	–	–
Total net rental income	70.0	24.7	21.7	6.4	3.6
30 June 2006 – six months net rental income					
Properties owned throughout 1H 2006	58.8	23.5	17.6	5.2	1.7
Acquisitions	9.6	–	0.2	–	0.1
Disposals	0.9	(0.7)	2.0	–	0.1
Total net rental income	69.3	22.8	19.8	5.2	1.9

	The Mall years	The Junction years	X-Leisure years	German Portfolio years	FIX UK years
Lease data					
Average lease length to break	9.99	14.05	17.0	9.10	7.48
Average lease length to expiry	10.36	14.50	18.1	9.10	9.02

	£m	£m	£m	£m	£m
Passing rent of leases expiring in:					
2007	11.16	0.77	1.32	0.02	0.17
2008	10.49	0.27	0.46	0.47	1.44
2009-2011	25.41	0.85	1.76	4.66	1.52
ERV of leases expiring in:					
2007	12.19	0.93	1.33	n/a	0.20
2008	12.10	0.32	0.52	n/a	1.55
2009-2011	25.92	1.86	1.85	n/a	1.82
Passing rent subject to review in:					
2007	24.80	4.71	9.15	n/a	1.66
2008	19.01	14.17	8.74	n/a	0.99
2009-2011	49.21	36.10	20.33	n/a	4.34
ERV of passing rent subject to review in:					
2007	26.64	6.79	10.40	n/a	2.01
2008	21.60	16.22	9.70	n/a	1.06
2009-2011	54.21	40.62	21.51	n/a	4.61
Other data					
Unit Price (£1.00 at inception)	£2.4875	£2.6956	£1.8314	n/a	n/a
Capital & Regional share	24.24%	27.32%	19.39%	91.24%	100.00%

(i) Properties at market value exclude adjustments for tenant incentives and head leases.

Capital allowances deferred tax provision In accordance with IAS 12, full provision has been made for the deferred tax arising on the benefit of capital allowances claimed to date. However, in the Group's experience the liabilities in respect of capital allowances provided are unlikely to crystallise in practice and are therefore excluded when arriving at EPRA NAV.

CRPM Capital & Regional Property Management Limited is a subsidiary of Capital & Regional plc and earns the management and performance fees arising from Capital & Regional's interests in the associated funds and joint ventures.

Contribution comprises Capital & Regional's share of the net rents less net interest arising from Capital & Regional's interests in its joint ventures, associates and wholly-owned entities.

CULS is the Convertible Subordinated Unsecured Loan Stock.

EPRA adjusted fully diluted NAV per share includes the effect of those shares potentially issuable under the CULS or employee share options and excluding own shares held. The unrealised gains and capital allowances deferred tax provision, the fair value of borrowings net of tax and the fair value of trading properties are added back.

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

EPRA triple net, fully diluted NAV per share includes the effect of those shares potentially issuable under the CULS or employee share options and excluding own shares held. NAV is adjusted for the fair value of debt and the fair value of trading properties.

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 property.

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

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

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

Initial yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties.

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

Loan to value (LTV) is the ratio of net debt excluding fair value adjustments for debt and derivatives, to the aggregate value of properties (including the surplus of the open market value over the book value of trading properties), investments in joint ventures and funds and other investments.

Market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers). In accordance with usual practice, the Group's external 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 rent is Capital & Regional's share, on a see through basis, of the rental income, less property and management costs excluding performance fees, of the Group, its associates and joint ventures.

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

Passing rent is the gross rent, less any ground rent payable under head leases.

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

Return on equity is the Group's total recognised income for the year as set out in the Consolidated Statement of Recognised Income and Expense ("SORIE") expressed as a percentage of opening equity shareholders' funds.

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

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

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

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

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

Total shareholder return is the growth in price per share plus dividends per share.

Triple net, fully diluted NAV per share includes the effect of those shares potentially issuable under the CULS or employee share options.

SIC 15 "Operating lease – incentives" debtors under accounting rules the balance sheet value of lease incentives given to tenants is deducted from property valuation and shown as a debtor. The incentive is amortised through the income statement.

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

Variable overhead includes discretionary bonuses and the cost of awards to employees made under the LTIP and CAP and is spread over the performance period.

Financial calendar

Interim record date	28 September 2007
Last day to receive mandates	28 September 2007
Dividend warrant/tax vouchers posted	11 October 2007
Dividend payment date/shares purchased	12 October 2007
Certificates/purchase statement despatched	25 October 2007
CREST accounts credited	26 October 2007

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