



**CAPITAL &  
REGIONAL**

**11 September 2019**

**Capital & Regional plc**

**(“Capital & Regional” or “C&R” or “the Company” or “the Group”)**

**Half Year Results to 30 June 2019**

Capital & Regional (LSE: CAL), the UK focused REIT with a portfolio of dominant in-town community shopping centres, today announces its half year results to 30 June 2019.

**Lawrence Hutchings, Chief Executive, comments:**

“The business has again produced a robust set of operational results in what remains a challenging period for UK retail. We remain confident that with our Community Centre strategy, focussed on providing non-discretionary and needs based products and services, we are well placed to continue this trend and to evolve with the ongoing structural changes in the retail sector, as evidenced by our high occupancy, resilient income metrics and strong leasing performance.

We have been making solid progress to strengthen the balance sheet and provide additional liquidity given the fall in valuations, due primarily to the impact of CVAs and retailer administrations and market yield shift, which has increased net LTV to 52%. In August we conditionally exchanged on the sale of non-core land at Wood Green which is due to realise £5 million. We have also reached an advanced stage in the identification of a preferred development partner to fully fund and build out the c.450 apartment scheme at Walthamstow that was consented in the second half of 2018. This creates the potential to realise, subject to planning, a capital receipt of approximately £20 million during 2020 and has provided further confidence and read through to the residential opportunity at Ilford which we believe could be in excess of the 200 apartment scheme currently consented. Furthermore, we have agreed terms on a 12 month amendment to our Luton facility which provides greater headroom. This follows the previous amendments to our Hemel Hempstead and Group Revolving Credit Facilities earlier in the year to support ongoing capex projects.

The Board has also announced today that it is in discussions with Growthpoint Properties Limited (“Growthpoint”), the largest real estate investment trust primary listed on the Johannesburg Stock Exchange, about Growthpoint acquiring a majority stake in the Company through a combination of a partial offer in cash for Capital & Regional shares and an injection of capital to support the Company’s strategy through a subscription for new Capital & Regional shares. As a consequence of this, the Board has decided to defer a decision on the level of the interim dividend until such process has concluded.”

Further information concerning the discussions with Growthpoint is set out in the Company’s separate announcement which was released today.

## HIGHLIGHTS

### Strong leasing momentum delivering robust performance against tough operating backdrop

- 44 new lettings and renewals in the period at a combined average premium of 31.2%<sup>2</sup> to previous passing rent and a 6.9%<sup>2</sup> premium to ERV
- Contracted rent robust at £61.1 million down 1.9% (June 2018: £62.3 million) with new letting activity partially offsetting impact of CVAs and administrations
- Net Rental Income (NRI) down £0.8 million or 3.1% to £25.2 million (June 2018: £26.0 million) due to CVAs and retailer restructurings, which impacted by approximately £1.1 million
- Adjusted Profit<sup>1</sup> down 4.5% to £14.8 million (June 2018: £15.5 million)
- IFRS Loss for the period of £55.4 million due primarily to a fall in property valuations (June 2018: Profit of £6.7 million), driven by negative sentiment towards retail assets and income impact of CVAs and retailer administrations, offsetting Adjusted Profit
- Continuing occupier demand reflected in high occupancy at 96.8% (30 June 2018: 96.9%)
- Footfall significantly outperformed the national index with our three London centres increasing by 0.6%. There were 37.2 million visits across the wider portfolio, reflecting a decline of 1.8%, substantially ahead of the national index, which was down by 3.6%.

### Focus on maintaining balance sheet headroom

- Group cost of debt of 3.26% with average debt maturity of 5.9 years<sup>3</sup>
- Basic and EPRA NAV per share, at 51p and 52p respectively (December 2018: 60p and 59p respectively), impacted by fall in property valuations of our regional assets
- Net LTV increased to 52% (December 2018: 48%)
- £5 million sale of non-core land at Wood Green conditionally exchanged with proceeds anticipated in Q4 2019.
- Identification of preferred development partner at Walthamstow at advanced stage enabling potential for significant capital receipt in 2020
- Decision on level of Interim Dividend 2019 deferred until conclusion of discussions with Growthpoint Properties Limited

	<b>6 months to June 2019</b>	6 months to June 2018	Year to Dec 2018
Net Rental Income	<b>£25.2m</b>	£26.0m	£51.9m
Adjusted Profit <sup>1</sup>	<b>£14.8m</b>	£15.5m	£30.5m
Adjusted Earnings per share <sup>1</sup>	<b>2.04p</b>	2.15p	4.23p
IFRS (Loss)/Profit for the period	<b>£(55.4)m</b>	£6.7m	£(25.6)m
Net Asset Value (NAV) per share	<b>51p</b>	66p	60p
EPRA NAV per share	<b>52p</b>	65p	59p
Group net debt	<b>£413.1m</b>	£406.4m	£411.1m
Net debt to property value	<b>52%</b>	46%	48%

#### *Use of Alternative Performance Measures (APMs)*

Throughout the results statement we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, including Adjusted Profit, Adjusted Earnings per share and the industry best practice EPRA (European Public Real Estate Association) performance measures are not defined under IFRS, so they are termed 'Alternative Performance Measures' (APMs). Management use these measures to monitor the Group's financial performance alongside IFRS measures because they help illustrate the underlying performance and position of the Group. All APMs are defined in the Glossary and further detail on their use is provided within the Financial Review.

#### *Notes*

All metrics are for wholly-owned portfolio unless otherwise stated.

<sup>1</sup> Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary. Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 6 to the condensed financial statements.

<sup>2</sup> For lettings and renewals (excluding development deals) with a term of five years or longer and which did not include a turnover element or service charge restriction.

<sup>3</sup> As at 30 June 2019, assuming exercise of all extension options.

#### *Statement re Possible Partial Offer and Subscription for Shares*

There can be no certainty that a partial offer and subscription for new Capital & Regional shares will be made, nor as to the terms of any such transactions. A further announcement will be made as appropriate.

#### **For further information:**

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#### **Notes to editors:**

##### **About Capital & Regional**

Capital & Regional is a UK focused retail property REIT specialising in shopping centres that dominate their catchment, serving the non-discretionary and value orientated needs of the local communities. It has a strong track record of delivering value enhancing retail and leisure asset management opportunities across a c. £0.8 billion portfolio of in-town shopping centres. Capital & Regional is listed on the main market of the London Stock Exchange (LSE) and has a secondary listing on the Johannesburg Stock Exchange (JSE).

Capital & Regional owns seven shopping centres in Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green. Capital & Regional manages these assets through its in-house expert property and asset management platform.

For further information see [www.capreg.com](http://www.capreg.com).

**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.

## Operating review

Our key focus remains the ongoing remerchandising and repositioning of our centres to reflect the changing needs of our communities, guests and retail customers. A key strength of our portfolio is the characteristic dominance of our assets within their convenient locations, coupled with their ability to offer occupiers attractive, affordable and high footfall space which caters for the non-discretionary and value-orientated requirements of the local community.

In addition, we are actively involved in unlocking the latent value of our real estate in the middle of town centres, with access to transport connections and complementary uses and, in the case of the London portfolio, are able to increase the density of our sites through the addition of residential, hotel, offices and other uses that enhance our communities and generate value for our stakeholders.

Key to this is our masterplanning and leasing activities which drive our remerchandising and repositioning and generate improvements in our customer proposition and income.

### New lettings, renewals and rent reviews

There were 44 new lettings and renewals during the period at a combined average premium of 31.2%<sup>1</sup> to previous passing rent and a 6.9%<sup>1</sup> premium to ERV.

	<b>6 months to June 2019</b>
<b>New Lettings</b>	
Number of new lettings	21
Rent from new lettings (£m)	£1.6m
Comparison to ERV <sup>1</sup> (%)	+15.55%
<b>Renewals settled</b>	
Renewals settled	23
Revised rent (£m)	£1.5m
Comparison to ERV <sup>1</sup> (%)	+2.26%
<b>Combined new lettings and renewals</b>	
Comparison to previous rent <sup>1</sup>	+31.2%
Comparison to ERV <sup>1</sup>	+6.9%
<b>Rent reviews</b>	
Reviews settled	13
Revised passing rent (£m)	£1.7m
Change to previous rent (%)	+0.5%

<sup>1</sup> For lettings and renewals (excluding development deals and CVA variations) with a term of 5 years or longer which do not include turnover rent or service charge restrictions.

Our affordable rents, which average £15 per sq. ft. across the portfolio, and lower occupancy costs, mean our assets remain attractive to occupiers despite the challenging operating environment. This is evidenced by the fact that the volume and value of transactions undertaken were maintained at comparable levels to the equivalent period in 2018 but at stronger leasing spreads. Furthermore, the Company continues to see demand for space at its centres and enjoy a healthy pipeline of additional deals. The majority of transactions were completed in May and June, with slower momentum in the first quarter of the year as occupiers moved more cautiously due to heightened concerns over Brexit.

## Operating review

### **New lettings, renewals and rent reviews (continued)**

Highlights of leasing activity in the first half of 2019 included new lettings to Vodafone in Blackburn, Empire Cinema and Pure Gym at Hemel Hempstead, Wenzels the baker and Luton Borough Council (Offices) at Luton. At Ilford we opened the Entertainer from a unit that has been vacant for over 10 years, directly as a result of completion of the new family precinct.

Renewals in the period included Sports Direct and a new 10 year lease to Tesco at Luton, TUI at both Blackburn and Hemel Hempstead, Toni & Guy at Hemel Hempstead, Carphone Warehouse at Ilford and Clarks shoes and Claire's Accessories at Walthamstow. M&S closed its Luton store in April as part of a wider restructuring of its portfolio. It was the only full line store remaining in our portfolio and while we are advancing a number of asset management plans for the store, M&S has over seven years remaining on its lease which provides us with ample time to manage the replacement of this income.

### **Operational performance**

Footfall significantly outperformed the national index with our three London centres increasing by 0.6%. There were 37.2 million shopper visits across the wider portfolio in the first half of 2019, representing a like-for-like decline of 1.8% however, performance continues to outperform the national index which was down 3.6%. This highlights the continued resilience of our assets and the important role they play in fulfilling the needs of their local community, as well as the impact of our strategy. We have seen positive movement where we have implemented our Family Zones in Ilford and Hemel.

The relevance of our centres in the omnichannel trading environment was further demonstrated by growth in Click & Collect transactions in the first half of the year, up 19% year on year.

Reflecting to some degree the wider trend of reduced car usage, particularly in London, car park usage was down, although car park income remained robust at £5.1 million, an increase of 0.2% on a like-for-like basis.

### **Impact of CVAs/Administrations**

As at the time of writing across the UK there have been eight Company Voluntary Arrangements (CVAs) involving national retailers or leisure operators this year affecting more than 1,400 stores across the UK.

Four of the CVAs - Debenhams, Arcadia, Monsoon/Accessorize and Select - have impacted our portfolio across 13 units. The largest single impact was that of the Debenhams CVA which is expected to result in a reduction of approximately £0.7 million to NRI in the second half of the year and £1.3 million on an annualised basis. All three Debenhams units remain trading.

The total expected impact upon 2019 NRI of all of the 2019 CVAs and Administrations experienced to date is £1.3 million, of which the majority (£1.1 million) will be borne in the second half of the year, or £2.3 million on an annualised basis. H1 2019 was also impacted by £0.9 million on a comparative year on year basis from 2018 administrations of CVAs which primarily came into force in the second half of last year.

## Operating review

### Rental income and occupancy

	30 June 2019	30 December 2018	30 June 2018
Contracted rent (£m)	61.1	63.4	62.3
Passing rent (£m)	59.8	60.7	59.2
Occupancy (%)	96.8	97.0	96.9

Contracted rent at £61.1 million showed a modest decline of £1.2 million from June 2018, as the strong leasing achievements did not fully offset the impact of CVAs and retailer restructurings, and a reduction of £2.3 million from December 2018. This is also reflected in the Company's passing rent performance which at £59.8 million was down from £60.7 million at 30 December 2018 but increased by £0.6 million on June 2018.

Occupancy remained strong and in line with prior periods at 96.8%.

### Capital expenditure investment

In the first six months of the year we invested £5.9 million of capital expenditure (including tenant incentives) into our assets. The depth of opportunities across the portfolio enables us to focus investment on those with the most significant impact and thereby provides flexibility, allowing us to respond dynamically to any changes in occupier demand or further evolution of shopper dynamics.

At Hemel we completed the transformation of the central court to deliver a new Family Zone, building on the successful delivery of this concept in Ilford in 2018, and we plan to extend this programme further in H2 2019 with the launch the new Tinies childcare offer. Together with the new and enhanced guest amenities in 2018 and the recently completed mall ambience works, the repositioning of Hemel is gaining in momentum ahead of the delivery of the cinema, food & beverage and grab & go development, due to start on site in 2020 for a 2021 completion.

In total there are currently over 20 different projects live across the portfolio driving improvements in our centre facilities and fuelling future rental income.

### Residential opportunities

#### *Walthamstow*

We are at the final stages of selecting a development partner to fully fund and build out the c.450 apartment scheme that was consented in the second half of 2018 having received a strong depth of interest from both Build to Rent and Develop to Sell sectors. The process and associated timescales have not been affected by the fire that occurred in July 2019 and we anticipate announcing a partner later this year. This creates the potential to realise, subject to planning, a capital receipt of approximately £20 million during 2020 and has provided further confidence and read through to the residential opportunity at Ilford which we believe could be in excess of the 200 apartment scheme currently consented.

## **Operating review**

### *Wood Green*

We have conditionally exchanged contracts on the sale of non-core land at Wood Green to residential developer Aitch Group for £5 million, in line with the book value. Completion is conditional on the resolution of one point with the Highways department, which we expect to resolve during Q4 2019, with proceeds also expected to be realised in that period. The sale demonstrates the attractiveness of our town centre locations and the opportunities they present to unlock value beyond the core retail provision.

### **Walthamstow fire**

On 22 July 2019 a fire led to the closure of The Mall, Walthamstow. The first retailers re-opened less than a week after the fire and we are pleased to advise that approximately 75% of the units in the centre are now reopen and trading. Reconstruction plans are now in place for the remaining 25%, the area most impacted by the fire, and these units are expected to re-open progressively over the next six to nine months. The centre is fully insured for both replacement and for up to four years' loss of income.

### **Snozone**

Snozone is the largest indoor ski slope operator in the UK with venues in Milton Keynes and Castleford - both of which are real snow slopes - and Basingstoke - which operates on a special indoor dry surface.

Snozone produced a robust trading performance in the half year with revenue of £5.5 million and profits of £1.0 million both in line with 2018. The Snozone business provides C&R with in-house operational expertise that is utilised across the shopping centre portfolio to assist with ongoing leisure operations and new opportunities and we are exploring ways of further leveraging its highly skilled and experienced management platform.



## FINANCIAL REVIEW

	Six months to June 2019	Year to Dec 2018	Six months to June 2018
<b>Profitability</b>			
Net Rental Income (NRI) <sup>1</sup>	<b>£25.2m</b>	£51.9m	£26.0m
Adjusted Profit <sup>1</sup>	<b>£14.8m</b>	£30.5m	£15.5m
Adjusted Earnings per share	<b>2.04p</b>	4.23p	2.15p
IFRS (Loss)/Profit for the period	<b>£(55.4)m</b>	£(25.6)m	£6.7m
EPRA cost ratio (excluding vacancy costs)	<b>24.7%</b>	25.1%	23.5%
Net Administrative Expenses to Gross Rent	<b>10.6%</b>	10.7%	10.4%
<b>Investment returns</b>			
Net Asset Value (NAV) per share	<b>51p</b>	60p	66p
EPRA NAV per share	<b>52p</b>	59p	65p
Return on equity	<b>(12.8)%</b>	(5.3)%	1.4%
<b>Financing</b>			
Group net debt	<b>£413.1m</b>	£411.1m	£406.4m
Group net debt to property value	<b>52%</b>	48%	46%
Average maturity of Group debt <sup>2</sup>	<b>5.9 years</b>	6.3 years	6.8 years
Cost of Group debt <sup>3</sup>	<b>3.26%</b>	3.27%	3.27%

<sup>1</sup> Adjusted Profit is as defined in the Glossary. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 6 to the Financial Statements.

<sup>2</sup> Assuming exercise of all extension options.

<sup>3</sup> Assuming all loans fully drawn.

The above results are discussed more fully in the following pages.

### Use of Alternative Performance Measures (APMs)

Throughout the results statement we use a range of financial and non-financial measures to assess our performance. The significant measures are as follows:

Alternative performance measure used	Rationale
Adjusted Profit	<p>Adjusted Profit is used as it is considered by management to provide the best indication of the extent to which dividend payments are supported by underlying profits.</p> <p>Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments, non-cash charges in respect of share-based payments and exceptional one-off items.</p> <p>The key differences from EPRA earnings, an industry standard comparable measure, relates to the exclusion of non-cash charges in respect of share-based payments and adjustments in respect of exceptional items where EPRA is prescriptive.</p> <p>Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held.</p> <p>A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 6 to the condensed financial statements.</p>
Like-for-like amounts	<p>Like-for-like amounts are presented as they measure operating performance adjusted to remove the impact of properties that were only owned for part of the relevant periods.</p> <p>For the purposes of comparison of capital values, this will also include assets owned at the previous period end but not necessarily throughout the prior period.</p>
Net Rent or Net Rental Income (NRI)	<p>Net Rental Income is rental income from properties, less property and management costs (excluding performance fees). It is a standard industry measure. A reconciliation to statutory turnover is provided in Note 4 to the condensed financial statements.</p>

# FINANCIAL REVIEW

## Profitability

### Components of Adjusted Profit and reconciliation to IFRS Profit

<i>Amounts in £m</i>	Six months to June 2019	Year to December 2018	Six months to June 2018
Net Rental Income (NRI)	25.2	51.9	26.0
Net interest (see analysis on next page)	(9.4)	(18.9)	(9.4)
Kingfisher, Redditch	-	0.4	0.1
Snozone profit (indoor ski operation)	1.0	1.5	1.0
Central operating costs net of external fees	(2.0)	(4.3)	(2.2)
Tax	-	(0.1)	-
<b>Adjusted Profit</b>	<b>14.8</b>	<b>30.5</b>	<b>15.5</b>
<b>Adjusted Earnings per share (pence)<sup>1</sup></b>	<b>2.04p</b>	<b>4.23p</b>	<b>2.15p</b>
<i>Reconciliation of Adjusted Profit to statutory result</i>			
<b>Adjusted Profit</b>	<b>14.8</b>	<b>30.5</b>	<b>15.5</b>
Property revaluation (including Deferred Tax) <sup>2</sup>	(64.3)	(52.5)	(12.4)
Loss on disposal	(0.2)	(3.8)	-
(Loss)/Gain on financial instruments	(4.9)	2.6	3.1
Other items <sup>3</sup>	(0.8)	(2.4)	0.5
<b>(Loss)/Profit for the period</b>	<b>(55.4)</b>	<b>(25.6)</b>	<b>6.7</b>

<sup>1</sup> EPRA figures and a reconciliation to EPRA EPS are shown in Note 6 to the condensed Financial Statements.

<sup>2</sup> Includes Kingfisher, Redditch

<sup>3</sup> Includes £0.5 million for the non-cash accounting charge in respect of share-based payments (Year to December 2018: £0.7 million, Six months to June 2017: £0.5 million)

Adjusted Profit decreased by 4.5% on the prior year, impacted by a £0.8 million decrease in NRI. This was a result of the impact of CVAs and administrations which impacted by £1.1 million.

Net interest as broken down in the table below was flat on the prior year period.

<i>Amounts in £m</i>	Six months to 30 June 2019	Year to 30 December 2018	Six months to 30 June 2018
Wholly-owned assets			
Net Interest on loans	7.2	14.4	7.2
Amortisation of refinancing costs	0.5	0.9	0.4
Notional interest charge on head leases <sup>1</sup>	1.7	3.4	1.7
	<b>9.4</b>	<b>18.7</b>	<b>9.3</b>
Central	-	0.2	0.1
<b>Net Group interest</b>	<b>9.4</b>	<b>18.9</b>	<b>9.4</b>

<sup>1</sup> Notional interest charge with offsetting opposite and materially equal credit within other property operating expenses.

Net central operating costs improved by £0.2 million compared to H1 2018 as a result of the Group's ongoing focus on cost efficiencies.

The loss for the period was £55.4 million (30 June 2018: Profit of £6.7 million) driven primarily by a total revaluation loss of £64.3 million. This resulted in NAV of £373.7 million and EPRA NAV of £377.2 million compared to December 2018 amounts of £433.0 million and £431.7 million respectively. Basic NAV per share and EPRA NAV per share were 51p and 52p respectively, representing declines of 9p and 7p respectively (December 2018: 60p and 59p respectively).

# Financial review

## Property portfolio valuation

Property at independent valuation	30 June 2019		30 December 2018	
	£m	NIY %	£m	NIY %
Blackburn	82.7	8.42%	96.8	7.70%
Hemel Hempstead	41.7	7.74%	44.9	7.35%
Ilford	82.4	5.54%	86.2	5.69%
Luton	173.0	7.25%	195.4	7.01%
Maidstone	64.1	8.00%	69.0	7.74%
Walthamstow	127.0	4.85%	124.6	5.01%
Wood Green	226.4	5.28%	238.3	5.12%
	<b>797.3</b>	<b>6.34%</b>	<b>855.2</b>	<b>6.23%</b>

The valuation at 30 June 2019 was £797.3 million, reflecting a net initial yield of 6.34% (June 2018: NIY 6.04%). Net of Capex spent in the period of £5.9 million (including tenant incentives) this resulted in a revaluation loss on wholly-owned assets of £63.0 million. Yields on the Group's London assets saw some inward shift reflecting progress on residential options and other alternative uses. Valuations on the Group's regional assets saw declines largely reflecting outward market yield shift and the loss of income, most prominently Debenhams, through CVAs or retailer restructurings.

## Group debt

	Debt <sup>1</sup>	Cash <sup>2</sup>	Net debt	Loan to value <sup>3</sup>	Net debt to value <sup>3</sup>	Average interest rate	Fixed	Duration to loan expiry	Duration with extensions
30 June 2019	£m	£m	£m	%	%	%	%	Years	Years
Four Mall assets	265.0	(10.0)	255.0	53	51	3.33	100	6.4	7.1
Luton	107.5	(6.7)	100.8	62	58	3.14	100	4.5	4.5
Hemel Hempstead	26.9	(0.8)	26.1	65	63	3.42	100	3.6	3.6
Ilford	39.0	(1.7)	37.3	47	45	2.76	100	4.7	4.7
Group RCF	-	(6.1)	(6.1)			3.81	-	2.6	2.6
<b>On balance sheet debt</b>	<b>438.4</b>	<b>(25.3)</b>	<b>413.1</b>	<b>55</b>	<b>52</b>	<b>3.26</b>	<b>94</b>	<b>5.5</b>	<b>5.9</b>

<sup>1</sup> Excluding unamortised issue costs.

<sup>2</sup> Excluding cash beneficially owned by tenants.

<sup>3</sup> Debt and net debt divided by investment property at valuation.

Funding costs of 3.26% are substantially fixed and secured over the medium term with a weighted average 5.5 year maturity at 30 June 2019, extending to 5.9 years if all extensions are exercised. Net debt to value increased from 48% at 30 December 2018 to 52%.

On Luton the Group has agreed terms on an amendment to the facility until 30 September 2020 whereby the loan to value covenants are increased. The Group will use £4.5 million generated by the asset in the first half of the year to reduce the loan balance, which combined with the amendment increases the covenant headroom to 25% based on our June valuations. The Group will make further repayments of £1 million for each of the next four quarters to further improve headroom levels.

# Financial review

## *Covenants*

The Group was compliant with its applicable banking and debt covenants at 30 June 2019 and throughout the period. Further details are disclosed in the 'covenant information' section at the end of this report.

## **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, being 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.

## **South African secondary listing**

The Company maintains a primary listing on the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 June 2019, 70,670,122 of the Company's total of 726,389,117 shares were held on the South African register representing 9.7%.

## **Outlook and dividend**

We have been making solid progress to strengthen the balance sheet and provide additional liquidity given the fall in valuations, due primarily to the impact of CVAs and retailer administrations and market yield shift, which has increased net LTV to 52%. In August we conditionally exchanged on the sale of non-core land at Wood Green which is due to realise £5 million. We have also reached an advanced stage in the identification of a preferred development partner to fully fund and build out the c.450 apartment scheme at Walthamstow that was consented in the second half of 2018. This creates the potential to realise, subject to planning, a capital receipt of approximately £20 million during 2020 and has provided further confidence and read through to the residential opportunity at Ilford which we believe could be in excess of the 200 apartment scheme currently consented. Furthermore, we have agreed terms on a 12 month amendment to our Luton facility which provides greater headroom. This follows the previous amendments to our Hemel Hempstead and Group Revolving Credit Facilities earlier in the year to support ongoing capex projects.

The Board has also announced today that it is in discussions with Growthpoint Properties Limited ("Growthpoint"), the largest real estate investment trust primary listed on the Johannesburg Stock Exchange, about Growthpoint acquiring a majority stake in the Company through a combination of a partial offer in cash for Capital & Regional shares and an injection of capital to support the Company's strategy through a subscription for new Capital & Regional shares. As a consequence of this, the Board has decided to defer a decision on the level of the interim dividend until such process has concluded.

There can be no certainty that a partial offer and subscription for new Capital & Regional shares will be made, nor as to the terms of any such transactions. A further announcement will be made as appropriate.

## Principal risks and uncertainties

There are a number of risks and uncertainties which could have a significant impact on future performance and could cause actual results to differ materially from expected or historical results. 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.

A detailed explanation of the principal risks and uncertainties was included on pages 26 to 29 of the Group's 2018 Annual Report. A further review was carried out for the 30 June 2019 half year. Amongst the main factors considered were the continuing structural changes to UK retail and the continuing use of CVAs by struggling retailers and the ongoing economic and political uncertainty in the UK, most prominently concerning the terms of the country's proposed exit from the European Union. The review concluded that while as a result of these combined factors the profile of a number of risks, including property investment market risks and the impact of the economic environment, had changed, the ultimate nature of them had not and therefore the principal risks to the Group remain those disclosed in the 2018 Annual Report. These have been summarised below.

### 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 can have a significant effect on property valuation 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.
- *Valuation risk* - The risk that a lack of relevant transactional evidence makes property valuations increasingly subjective and open to a wider range of possible outcomes.
- *Structural changes to retail* – Structural changes in retailing including the trend towards online shopping and the increase of CVAs and other retailer restructurings may adversely impact footfall in shopping centres and potentially reduce tenant demand for space and the levels of rents which can be achieved.
- *Concentration and scale risks* - By having a less diversified portfolio the business is more exposed to specific tenants or types of tenant. Failures of such tenants could therefore have a significant impact on rental income revenues impacting Adjusted Profit and property valuations.
- *Competition risk* – The threat to the Group's property assets of competing in town and out of town retail and leisure schemes.
- *Business disruption from a major incident* – The threat of a major incident, such as a terrorist attack, impacting one of the Group's assets.
- *Development risk* – There is a risk that where capital expenditure and development projects are undertaken, that delays and other issues may lead to increased cost and reputational damage. There is also the risk that planned realisation of value is not achieved, for example if the property cannot subsequently be sold for the anticipated amount or if tenants are not contracted on sufficiently attractive terms.

### **Funding and treasury risks:**

- *Liquidity, funding and covenant risk* - Inability to fund the business or to refinance existing debt on economic terms may result in the inability to meet financial obligations when due and put a limitation on financial and operational flexibility. Cost of financing could be prohibitive in the future. Breach of any loan covenants could cause default on debt and possible accelerated maturity. Unremedied breaches can trigger demand for immediate repayment of loans.
- *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:**

- *Execution of business plan* – the failure to execute the Group's business plan in line with internal and external expectations could lead to potential loss of income or value and reputational damage, negatively impacting investor market perception.
- *Property acquisition/disposal strategy* – The Group is exposed to risks around overpayment for acquisitions and that acquisitions do not deliver the returns forecast. In addition, if the portfolio is not effectively managed through the property cycle, with sales and deleveraging at the appropriate time, the Group is exposed to risks in not being able to take advantage of other investment opportunities as they arise and the potential for LTVs to move adversely, with adverse consequences for covenants and shareholder value.
- *Tax risks* - Changes in tax legislation or the interpretation of tax legislation or previous transactions where the tax authorities disagree with the tax treatment adopted could result in tax related liabilities and other losses arising.
- *Regulation risks* - Exposure to changes in existing or forthcoming property related or corporate regulation could result in financial penalties or loss of business or credibility.
- *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.
- *Historical Transaction Risk* – the risk of issues or liabilities emerging from historical transactions most likely through warranties or indemnities provided in asset or business disposals.

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

**Lawrence Hutchings**

Chief Executive

10 September 2019

**Stuart Wetherly**

Group Finance Director

10 September 2019

## **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 2019 which comprises the condensed consolidated income statement, 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 Conduct 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 International Accounting Standard 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**  
Statutory Auditor  
London, United Kingdom  
10 September 2019



## Condensed consolidated income statement

For the six months to 30 June 2019

	Note	Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
<b>Continuing operations</b>				
Revenue	3b, 4	45.2	45.5	91.0
Cost of sales		(17.5)	(17.2)	(34.9)
<b>Gross profit</b>		<b>27.7</b>	28.3	56.1
Administrative costs		(4.4)	(4.4)	(9.2)
Share of (loss)/profit in associates and joint ventures	8a	-	(2.0)	(4.6)
Loss on revaluation of investment properties	3a, 7a	(63.0)	(10.3)	(47.5)
Other gains and losses		(1.6)	1.3	(4.5)
<b>(Loss)/profit on ordinary activities before financing</b>		<b>(41.3)</b>	12.9	(9.7)
Finance income		0.1	3.2	3.1
Finance costs		(14.2)	(9.4)	(18.9)
<b>(Loss)/profit before tax</b>		<b>(55.4)</b>	6.7	(25.5)
Tax	5	-	-	(0.1)
<b>(Loss)/profit for the period</b>		<b>(55.4)</b>	6.7	(25.6)
Basic earnings per share	6	(7.63)p	0.93p	(3.55)p
Diluted earnings per share	6	(7.63)p	0.93p	(3.53)p
EPRA basic earnings per share	6	1.91p	2.03p	3.98p
EPRA diluted earnings per share	6	1.90p	2.02p	3.95p

## Condensed consolidated statement of comprehensive income

For the six months to 30 June 2019

	Unaudited six months to 30 June 2019 £m	Unaudited six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
<b>(Loss)/profit for the period</b>	<b>(55.4)</b>	6.7	(25.6)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>(55.4)</b>	6.7	(25.6)

The results for the current and preceding periods are fully attributable to equity shareholders.

The EPRA alternative performance measures used throughout this report are industry best practice performance measures established by the European Public Real Estate Association. They are defined in the Glossary to the Condensed Financial Statements. EPRA Earnings and EPRA EPS are shown in Note 6 to the Condensed Financial Statements. EPRA net assets and EPRA triple net assets are shown in Note 12 to the Condensed Financial Statements.

## Condensed consolidated balance sheet

At 30 June 2019

	Note	Unaudited 30 June 2019 £m	Audited 30 December 2018 £m
<b>Non-current assets</b>			
Investment properties	7	840.4	898.2
Plant and equipment		1.9	2.0
Fixed asset investments		2.0	2.8
Receivables		15.3	16.5
<b>Total non-current assets</b>		<b>859.6</b>	<b>919.5</b>
<b>Current assets</b>			
Receivables		18.5	15.3
Cash and cash equivalents	9	30.2	32.0
<b>Total current assets</b>		<b>48.7</b>	<b>47.3</b>
<b>Total assets</b>		<b>908.3</b>	<b>966.8</b>
<b>Current liabilities</b>			
Trade and other payables		(34.3)	(37.1)
<b>Total current liabilities</b>		<b>(34.3)</b>	<b>(37.1)</b>
<b>Net current assets</b>		<b>14.4</b>	<b>10.2</b>
<b>Non-current liabilities</b>			
Bank loans	10	(433.3)	(432.9)
Other payables		(5.5)	(2.2)
Obligations under finance leases		(61.5)	(61.6)
<b>Total non-current liabilities</b>		<b>(500.3)</b>	<b>(496.7)</b>
<b>Total liabilities</b>		<b>(534.6)</b>	<b>(533.8)</b>
<b>Net assets</b>		<b>373.7</b>	<b>433.0</b>
<b>Equity</b>			
Share capital		7.3	7.3
Share premium		166.5	166.5
Other reserves		60.3	60.3
Capital redemption reserve		4.4	4.4
Own shares held		-	-
Retained earnings		135.2	194.5
<b>Equity shareholders' funds</b>		<b>373.7</b>	<b>433.0</b>
Basic net assets per share	12	51p	60p
EPRA triple net assets per share	12	51p	59p
EPRA net assets per share	12	52p	59p

## Condensed consolidated statement of changes in equity

For the six months to 30 June 2019

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Own shares held	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 30 December 2017 (Audited)</b>	<b>7.2</b>	<b>163.3</b>	<b>60.3</b>	<b>4.4</b>	<b>(0.1)</b>	<b>246.3</b>	<b>481.4</b>
Profit for the period	-	-	-	-	-	6.7	6.7
Other comprehensive result for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.7</b>	<b>6.7</b>
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Dividends paid, net of Scrip	-	-	-	-	-	(11.7)	(11.7)
Shares issued, net of costs	-	2.0	-	-	-	(2.0)	-
<b>Balance at 30 June 2018 (unaudited)</b>	<b>7.2</b>	<b>165.3</b>	<b>60.3</b>	<b>4.4</b>	<b>(0.1)</b>	<b>239.8</b>	<b>476.9</b>
Loss for the period	-	-	-	-	-	(32.3)	(32.3)
Other comprehensive result for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32.3)</b>	<b>(32.3)</b>
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.2	0.2
Dividends paid, net of Scrip	-	-	-	-	-	(11.8)	(11.8)
Shares issued, net of costs	0.1	1.2	-	-	-	(1.3)	-
Other movements	-	-	-	-	0.1	(0.1)	-
<b>Balance at 30 December 2018 (Audited)</b>	<b>7.3</b>	<b>166.5</b>	<b>60.3</b>	<b>4.4</b>	<b>-</b>	<b>194.5</b>	<b>433.0</b>
Loss for the period	-	-	-	-	-	(55.4)	(55.4)
Other comprehensive result for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55.4)</b>	<b>(55.4)</b>
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Dividends paid (note 15)	-	-	-	-	-	(4.4)	(4.4)
<b>Balance at 30 June 2019 (unaudited)</b>	<b>7.3</b>	<b>166.5</b>	<b>60.3</b>	<b>4.4</b>	<b>-</b>	<b>135.2</b>	<b>373.7</b>

## Condensed consolidated cash flow statement

For the six months to 30 June 2019

	Note	Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
<b>Operating activities</b>				
Net cash from operations	11	17.9	19.2	46.7
Distributions received from investments including German B-note		0.6	0.5	0.8
Interest paid		(7.3)	(5.1)	(14.5)
Interest received		-	-	0.1
<b>Cash flows from operating activities</b>		<b>11.2</b>	<b>14.6</b>	<b>33.1</b>
<b>Investing activities</b>				
Distributions received from associates		-	-	1.2
Disposal of Buttermarket, Ipswich		-	-	0.3
Purchase of plant and equipment		(0.1)	(0.5)	(0.5)
Capital expenditure on investment properties		(7.3)	(6.9)	(18.6)
<b>Cash flows from investing activities</b>		<b>(7.4)</b>	<b>(7.4)</b>	<b>(17.6)</b>
<b>Financing activities</b>				
Dividends paid (net of Scrip) including withholding tax		(5.6)	(11.7)	(23.6)
Bank loans drawn down		-	-	10.0
Loan arrangement costs		-	-	(0.1)
<b>Cash flows from financing activities</b>		<b>(5.6)</b>	<b>(11.7)</b>	<b>(13.7)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1.8)</b>	<b>(4.5)</b>	<b>1.8</b>
Cash and cash equivalents at the beginning of the period		32.0	30.2	30.2
<b>Cash and cash equivalents at the end of the period</b>	9	<b>30.2</b>	<b>25.7</b>	<b>32.0</b>

# Notes to the condensed financial statements

For the six months to 30 June 2019

## 1 General information

The comparative information included for the year ended 30 December 2018 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 is not materially impacted by seasonal fluctuations.

## 2 Accounting policies

### Basis of preparation

The annual financial statements of Capital & Regional plc are prepared in accordance with IFRS 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. The financial statements are prepared in GBP being the functional currency of the Group. The principal exchange rates used to translate foreign currency denominated amounts are:

Balance sheet: £1 = €1.115 (30 June 2018: £1 = €1.129; 31 December 2018: £1 = €1.118)

Income statement: £1 = €1.144 (30 June 2018: £1 = €1.137; 31 December 2018: £1 = €1.130).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payments that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability.

The Half-Year Report was approved by the Board on 10 September 2019.

### Going concern

The Group prepares cash flow and covenant compliance forecasts to demonstrate that it has adequate resources available to continue in operation for the foreseeable future, being at least 12 months from the date of this report. In these forecasts the directors specifically consider anticipated future market conditions and the Group's principal risks and uncertainties. Further information on the Group's financing position is contained within the Financial Review with additional details of the Group's cash position and borrowing facilities provided in notes 9 and 10 of the condensed financial statements.

In summary the directors believe that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the annual report and financial statements.

### Change in accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in the notes to the Group's annual financial statements for the year ended 30 December 2018. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. A number of new standards have come into effect for the group in the current year. These are set out below

- IFRS 15 Revenue from Contracts with Customers – this does not apply to gross rental income, but does apply to service charge income, other fees and trading property disposals and is effective for the Group in the current year. The changes introduced by IFRS 15 result in minimal qualitative changes to the revenue disclosure and does not have a quantitative impact on the consolidated financial statements of the Group therefore no additional disclosures have been made.
- IFRS 9 Financial Instruments – this affects both the measurement and disclosures of financial instruments excluding derivatives and is effective for the Group's year ending 30 December 2019. IFRS 9 also introduces an expected credit loss model. These changes do not have a quantitative impact on the Group's financial statements therefore no additional disclosures have been made.

### Accounting developments and changes

A number of new standards and amendments to standards have been issued but are not yet effective for the Group. The most significant of these is IFRS 16 Leases (effective for year ending 30 December 2020) which will result in the Group recognising on balance sheet assets it leases along with a corresponding liability. The primary lease contracts that this will impact are the lease on the Group's support office and the leases of the Snozone business for its Castleford and Milton Keynes operations. The total increase in both assets and liabilities is expected to be around £15.3 million. In addition, IFRS 16 could have an indirect impact on the Group's business if it leads to a change in occupier behaviour. Examples of this would be if its adoption results in tenants or potential tenants typically seeking shorter lease terms and/or more prevalent use of turnover-related, as opposed to fixed rents.

### 3 Operating segments

#### 3a Operating segment performance

The Group's reportable segments under IFRS 8 are now Shopping Centres, Snozone and Group/Central. UK Shopping Centres consists of the shopping centres at Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green. Group/Central includes management fee income, Group overheads incurred by Capital & Regional Property Management, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

In the prior year Shopping Centres was split between Wholly-owned assets and Other UK Shopping Centres. The latter consisted of the Group's interest in the Kingfisher Limited Partnership (Redditch) until reclassification to a Fixed Asset Investment on 30 December 2018 – see Note 8b for further information. Following this reclassification the Group's interest in the Kingfisher Limited Partnership is no longer equity accounted. The prior period segment information has been restated to reflect this change in reportable segments due to the change in the structure of the Group.

The Shopping Centres segment derives its revenue from the rental of investment properties. The Snozone and Group/Central segments derive their revenue from the operation of indoor ski slopes and the management of property funds or schemes respectively. The split of revenue between these classifications satisfies the requirement of IFRS 8 to report revenues from different products and services. Depreciation and charges in respect of share-based payments represent the only significant non-cash expenses.

		Shopping Centres	Snozone	Group/Central	Total
<b>Six months to 30 June 2019 (Unaudited)</b>	Note	£m	£m	£m	£m
Rental income from external sources	3b	31.7	-	-	<b>31.7</b>
Property and void costs		(6.5)	-	-	<b>(6.5)</b>
Net rental income		25.2	-	-	<b>25.2</b>
Net interest expense		(9.4)	-	-	<b>(9.4)</b>
Snozone income/Management fees <sup>1</sup>	3b	-	5.5	1.2	<b>6.7</b>
Snozone/Management expenses		-	(4.4)	(2.9)	<b>(7.3)</b>
Investment income		-	-	0.1	<b>0.1</b>
Depreciation		-	(0.1)	(0.1)	<b>(0.2)</b>
Variable overhead (excluding non-cash items)		-	-	(0.3)	<b>(0.3)</b>
Tax charge		-	-	-	<b>-</b>
<b>Adjusted Profit</b>		<b>15.8</b>	<b>1.0</b>	<b>(2.0)</b>	<b>14.8</b>
Revaluation of properties		(63.0)	-	(1.3)	<b>(64.3)</b>
Loss on disposal		-	-	(0.2)	<b>(0.2)</b>
Loss on financial instruments		(4.9)	-	-	<b>(4.9)</b>
Share-based payments		-	-	(0.5)	<b>(0.5)</b>
Other items		-	-	(0.3)	<b>(0.3)</b>
<b>(Loss)/profit</b>		<b>(52.1)</b>	<b>1.0</b>	<b>(4.3)</b>	<b>(55.4)</b>
Total assets	3b	895.7	2.7	9.9	<b>908.3</b>
Total liabilities	3b	(529.1)	(1.4)	(4.1)	<b>(534.6)</b>
<b>Net assets</b>		<b>366.6</b>	<b>1.3</b>	<b>5.8</b>	<b>373.7</b>

<sup>1</sup> Asset management fees of £1.8 million charged from the Group's Capital & Regional Property Management entity to the Shopping Centre segment have been excluded from the table above.

### 3 Operating segments (continued)

#### 3a Operating segment performance

		Wholly- owned assets	Snozone	Group/ Central	Total operating segment	Other UK Shopping Centres (Kingfisher Redditch)	Total
	Note	£m	£m	£m	£m	£m	£m
<b>Six months to 30 June 2018</b>							
<b>(Unaudited)</b>							
Rental income from external sources	3b	32.2	-	-	<b>32.2</b>	1.0	<b>33.2</b>
Property and void costs		(6.2)	-	-	<b>(6.2)</b>	(0.3)	<b>(6.5)</b>
Net rental income		26.0	-	-	<b>26.0</b>	0.7	<b>26.7</b>
Net interest expense		(9.3)	-	(0.1)	<b>(9.4)</b>	(0.6)	<b>(10.0)</b>
Snozone income/Management fees <sup>1</sup>	3b	-	5.5	1.1	<b>6.6</b>	-	<b>6.6</b>
Management expenses		-	(4.4)	(3.0)	<b>(7.4)</b>	-	<b>(7.4)</b>
Investment income		-	-	0.1	<b>0.1</b>	-	<b>0.1</b>
Depreciation		-	(0.1)	(0.1)	<b>(0.2)</b>	-	<b>(0.2)</b>
Variable overhead (excluding non-cash items)		-	-	(0.3)	<b>(0.3)</b>	-	<b>(0.3)</b>
Tax charge		-	-	-	<b>-</b>	-	<b>-</b>
<b>Adjusted Profit</b>		16.7	1.0	(2.3)	<b>15.4</b>	0.1	<b>15.5</b>
Revaluation of properties		(10.3)	-	-	<b>(10.3)</b>	(2.1)	<b>(12.4)</b>
Loss on disposal		(0.1)	-	(1.0)	<b>(1.1)</b>	-	<b>(1.1)</b>
Gain on financial instruments		3.1	-	-	<b>3.1</b>	-	<b>3.1</b>
Share-based payments		-	-	(0.5)	<b>(0.5)</b>	-	<b>(0.5)</b>
Other items		2.1	-	-	<b>2.1</b>	-	<b>2.1</b>
<b>Profit/(loss)</b>		11.5	1.0	(3.8)	<b>8.7</b>	(2.0)	<b>6.7</b>
Total assets	3b	977.4	4.0	9.5	<b>990.9</b>	28.8	<b>1,019.7</b>
Total liabilities	3b	(512.4)	(1.8)	(5.2)	<b>(519.4)</b>	(23.4)	<b>(542.8)</b>
<b>Net assets</b>		465.0	2.2	4.3	<b>471.5</b>	5.4	<b>476.9</b>

<sup>1</sup> Asset management fees of £1.8 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.

### 3 Operating segments (continued)

#### 3a Operating segment performance

Year to 30 December 2018 (Audited)		Note	Wholly-owned	Snozone	Group/ Central	Total operating segment	Other UK	Total
			assets				(Kingfisher Redditch)	
			£m	£m	£m	£m	£m	£m
Rental income from external sources	3b		65.0	-	-	65.0	2.2	67.2
Property and void costs			(13.1)	-	-	(13.1)	(0.7)	(13.8)
Net rental income			51.9	-	-	51.9	1.5	53.4
Net interest expense			(18.7)	-	(0.2)	(18.9)	(1.1)	(20.0)
Snozone income/Management fees <sup>1</sup>	3b		-	10.4	2.3	12.7	-	12.7
Management expenses			-	(8.7)	(6.1)	(14.8)	-	(14.8)
Investment income			-	-	0.4	0.4	-	0.4
Depreciation			-	(0.2)	(0.1)	(0.3)	-	(0.3)
Variable overhead (excluding non-cash items)			-	-	(0.8)	(0.8)	-	(0.8)
Tax charge			-	-	(0.1)	(0.1)	-	(0.1)
<b>Adjusted Profit</b>			33.2	1.5	(4.6)	30.1	0.4	30.5
Revaluation of properties			(47.5)	-	-	(47.5)	(5.0)	(52.5)
Loss on disposal of Ipswich			-	-	(3.8)	(3.8)	-	(3.8)
Gain on financial instruments			2.6	-	-	2.6	-	2.6
Share-based payments			-	-	(0.7)	(0.7)	-	(0.7)
Other items			(0.2)	-	(0.7)	(0.9)	(0.8)	(1.7)
<b>(Loss)/profit</b>			(11.9)	1.5	(9.8)	(20.2)	(5.4)	(25.6)
Total assets	3b		951.0	5.1	9.9	966.0	14.8	980.8
Total liabilities	3b		(526.0)	(3.0)	(4.8)	(533.8)	(14.0)	(547.8)
<b>Net assets</b>			425.0	2.1	5.1	432.2	0.8	433.0

<sup>1</sup> Asset management fees of £3.7 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.

#### 3b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	Unaudited	Unaudited	Audited
		Six months to 30 June 2019	Six months 30 June 2018	Year to 30 December 2018
		£m	£m	£m
Rental income from external sources including associates	3a	31.7	33.2	67.2
Service charge income		7.5	7.4	14.7
Management fees	3a	1.2	1.1	2.3
Snozone income	3a	5.5	5.5	10.4
Revenue for reportable segments		45.9	47.2	94.6
Elimination of inter-segment revenue		(0.7)	(0.7)	(1.4)
Rental income earned by associates		-	(1.0)	(2.2)
<b>Revenue per consolidated income statement</b>		45.2	45.5	91.0

Revenues during the period and in the preceding periods were solely derived from the UK.



### 3 Operating segments (continued)

#### 3b Reconciliations of reportable revenue, assets and liabilities (continued)

		Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
<b>Balance sheet</b>	Note			
Total assets of reportable segments	3a	908.3	1,019.7	980.8
Adjustment for associates and joint ventures		-	(23.4)	(14.0)
<b>Group assets</b>		<b>908.3</b>	996.3	966.8
Total liabilities of reportable segments	3a	(534.6)	(542.8)	(547.8)
Adjustment for associates and joint ventures		-	23.4	14.0
<b>Group liabilities</b>		<b>(534.6)</b>	(519.4)	(533.8)
<b>Net assets by country</b>				
UK		373.7	476.8	433.0
Germany		-	0.1	-
<b>Net assets by country</b>		<b>373.7</b>	476.9	433.0

### 4 Revenue

		Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
<b>Statutory</b>	Note			
Gross rental income		25.3	25.8	51.7
Car park and other ancillary income		6.4	6.4	13.3
Rental income from external sources		31.7	32.2	65.0
Service charge income		7.5	7.4	14.7
External management fees		0.5	0.4	0.9
Snozone income	3a	5.5	5.5	10.4
<b>Revenue per consolidated income statement – continuing operations</b>	3b	<b>45.2</b>	45.5	91.0

Management fees represent revenue earned by Capital & Regional Plc and the Group's wholly-owned CRPM subsidiary. Fees charged to wholly-owned assets have been eliminated on consolidation.

### 5 Tax

	Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
<b>Tax charge</b>			
UK corporation tax	-	-	-
Adjustments in respect of prior years	-	-	-
<b>Total current tax charge</b>	<b>-</b>	-	-
Deferred tax	-	-	(0.1)
<b>Total tax charge</b>	<b>-</b>	-	(0.1)

## 5 Tax (continued)

	Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
<b>Tax charge reconciliation</b>			
(Loss)/profit before tax on continuing operations	(55.4)	6.7	(25.5)
(Loss)/profit multiplied by the UK corporation tax rate of 19% (30 June 2018 and 30 December 2018: 19%)	(10.5)	1.3	(4.9)
REIT exempt income and gains	10.3	(1.7)	3.1
Non-allowable expenses and non-taxable items	0.3	0.5	1.7
(Utilisation of tax losses)/Excess tax losses	(0.1)	(0.1)	0.1
Adjustments in respect of prior years	-	-	0.1
<b>Total tax charge – continuing operations</b>	-	-	0.1

The UK corporation tax main rate was reduced to 19% with effect from 1 April 2017. A further reduction in the rate of corporation tax to 17% from 1 April 2020 was substantively enacted in Finance Act 2016. Consequently the UK corporation tax rate at which deferred tax is booked in the financial statements is 17% (2018: 17%).

The Group has recognised a deferred tax asset of £nil (30 December 2018: £nil). No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates or in joint ventures in the current or prior years as it is not certain that a deduction will be available when the asset crystallises.

The Group has £18.3 million (30 December 2018: £18.7 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses (30 December 2018: £nil). The Group has unused capital losses of £24.9 million (30 December 2018: £24.9 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. The Group needs to make a minimum distribution of approximately £6.5 million before the end of 2019 in order to meet its REIT distribution requirements for the financial year ending 2018. If the Group were to not meet the minimum requirement then under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent whilst remaining a REIT. We estimate that this would result in a tax payment of approximately £1.2 million being required to be paid at the end of 2019.

## 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:

	Note	Six months to 30 June 2019 (unaudited)			Six months to 30 June 2018 (unaudited)			Year to 30 December 2018(audited)		
		Profit	EPRA	Adjusted Profit	Profit	EPRA	Adjusted Profit	Profit	EPRA	Adjusted Profit
<b>Profit (£m)</b>										
(Loss)/profit for the year		(55.4)	(55.4)	(55.4)	6.7	6.7	6.7	(25.6)	(25.6)	(25.6)
Revaluation loss on investment properties (net of tax)	3a	-	64.3	64.3	-	12.4	12.4	-	52.5	52.5
Loss on disposal of properties (net of tax)	3a	-	0.2	0.2	-	1.1	1.1	-	3.8	3.8
Changes in fair value of financial instruments	3a	-	4.9	4.9	-	(3.1)	(3.1)	-	(2.6)	(2.6)
Share-based payments	3a	-	-	0.5	-	-	0.5	-	-	0.7
Other items		-	(0.1)	0.3	-	(2.5)	(2.1)	-	0.6	1.7
<b>Profit</b>		<b>(55.4)</b>	<b>13.9</b>	<b>14.8</b>	<b>6.7</b>	<b>14.6</b>	<b>15.5</b>	<b>(25.6)</b>	<b>28.7</b>	<b>30.5</b>
<b>Earnings per share</b>		<b>(7.63)p</b>	<b>1.91p</b>	<b>2.04p</b>	<b>0.93p</b>	<b>2.03p</b>	<b>2.15p</b>	<b>(3.55)p</b>	<b>3.98p</b>	<b>4.23p</b>
<b>Diluted earnings per share</b>		<b>(7.63)p</b>	<b>1.90p</b>	<b>2.02p</b>	<b>0.93p</b>	<b>2.02p</b>	<b>2.14p</b>	<b>(3.53)p</b>	<b>3.95p</b>	<b>4.20p</b>

None of the current or prior year earnings related to discontinued operations.

## 6 Earnings per share (continued)

Weighted average number of shares (m)	Six months to 30 June 2019 (Unaudited)	Six months to 30 June 2018 (Unaudited)	Year to 30 December 2018 (Audited)
Ordinary shares in issue	726.4	719.3	721.9
Own shares held	(0.2)	(0.2)	(0.5)
<b>Basic</b>	<b>726.2</b>	<b>719.1</b>	<b>721.4</b>
Dilutive contingently issuable shares and share options	5.2	4.3	4.6
<b>Diluted</b>	<b>731.4</b>	<b>723.4</b>	<b>726.0</b>

At the end of the period, the Group had 8.3 million (30 December 2018: 8.2 million) additional share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute basic earnings per share in the future but which have not been included in the calculation because they are not dilutive or the performance conditions for vesting were not met based on the position at 30 June 2019.

### Headline earnings per share

Headline earnings per share has been calculated and presented as required by the Johannesburg Stock Exchange Listings Requirements.

	Six months to 30 June 2019 (Unaudited)		Six months to 30 June 2018 (Unaudited)		Year to 30 December 2018 (Audited)	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
<b>Profit (£m)</b>						
Profit for the period	(55.4)	(55.4)	6.7	6.7	(25.6)	(25.6)
Revaluation of investment properties (net of tax)	64.3	64.3	12.4	12.4	52.5	52.5
Loss on disposal of investment properties (net of tax)	0.2	0.2	1.1	1.1	3.8	3.8
Other items	(0.1)	(0.1)	(2.5)	(2.5)	(0.2)	(0.2)
<b>Headline earnings</b>	<b>9.0</b>	<b>9.0</b>	<b>17.7</b>	<b>17.7</b>	<b>30.5</b>	<b>30.5</b>
<b>Weighted average number of shares (m)</b>						
Ordinary shares in issue	726.4	726.4	719.3	719.3	721.9	721.9
Own shares held	(0.2)	(0.2)	(0.2)	(0.2)	(0.5)	(0.5)
Dilutive contingently issuable shares and share options	-	5.2	-	4.3	-	4.6
	<b>726.2</b>	<b>731.4</b>	<b>719.1</b>	<b>723.4</b>	<b>721.4</b>	<b>726.0</b>
<b>Headline Earnings per share</b>	<b>1.24p</b>	<b>1.23p</b>	<b>2.46p</b>	<b>2.45p</b>	<b>4.23p</b>	<b>4.20p</b>

## 7 Investment properties

### 7a Wholly-owned properties

	Freehold investment properties £m	Leasehold investment properties £m	Total property assets £m
<b>Cost or valuation</b>			
At 30 December 2018 (Audited)	432.1	466.1	<b>898.2</b>
Capital expenditure	3.5	1.8	<b>5.3</b>
Valuation deficit <sup>1</sup>	(27.4)	(35.7)	<b>(63.1)</b>
<b>At 30 June 2019 (Unaudited)</b>	<b>408.2</b>	<b>432.2</b>	<b>840.4</b>

<sup>1</sup> £63.0 million per Note 3a includes letting fee amortisation adjustment of £0.1 million.

## 7 Investment properties (continued)

### 7b Property assets summary

	Unaudited 30 June 2019 £m	Audited 30 December 2018 £m
Wholly-owned investment properties at fair value	797.3	855.2
Head leases treated as finance leases on investment properties	61.3	61.3
Unamortised tenant incentives on investment properties	(18.2)	(18.3)
IFRS Property Value	840.4	898.2

### 7c Valuations

External valuations were carried out on all of the property assets detailed in the table above. The valuations at 30 June 2019 were carried out by independent qualified professional valuers from CBRE Limited and Knight Frank LLP in accordance with RICS standards. 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.

Real estate valuations are complex and derived from data that is not widely publicly available and involves a degree of judgement. For these reasons, the valuations are classified as Level 3 in the fair value hierarchy as defined by IFRS 13. The valuations are sensitive to changes in rent profile and yields.

## 8 Investment in associates

### 8a Share of results

	Note	Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
Share of results of associates	8c	-	(2.0)	(4.6)
		-	(2.0)	(4.6)

### 8b Investment in associates

	Note	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2018 £m
At the start of the year		-	7.4
Share of results of associates	8c	-	(4.6)
Dividends and capital distributions received		-	(1.2)
Impairment		-	(0.8)
Reclassification to Fixed asset investments		-	(0.8)
At the end of the period	8c	-	-

The Group's only significant associate during 2018 was the Kingfisher Limited Partnership, which owns The Kingfisher Shopping Centre in Redditch. The Group had previously accounted for its interest as an associate on the basis it held a 20% share and exercised significant influence through its representation on the General Partner board and through acting as the property and asset manager. An agreement to restructure the Kingfisher holding was in place at 30 December 2018 and formally completed on 8 March 2019. As a result of this the Group's equity holding was diluted to 12% and while the Group continues to act as property and asset manager it no longer has representation on the General Partner board. On the basis that we considered that we no longer exercise significant influence the Group's remaining interest in the Kingfisher Limited Partnership has been reclassified to a Fixed Asset Investment.

## 8 Investment in associates (continued)

### 8c Analysis of investment in associates

	Unaudited Six months to 30 June 2019 Total £m	Unaudited Six months to 30 June 2018 Total £m	Audited Year to 30 December 2018 Total £m
<b>Income statement (100%)</b>			
Revenue – gross rent	-	5.3	10.8
Property and management expenses	-	(1.2)	(2.4)
Void costs	-	(0.5)	(1.0)
Net rent	-	3.6	7.4
Net interest payable	-	(2.8)	(5.7)
Contribution	-	0.8	1.7
Revaluation of investment properties	-	(10.5)	(24.7)
Fair value of interest rate swaps	-	-	-
Loss before tax	-	(9.7)	(23.0)
Tax	-	-	0.2
Loss after tax (100%)	-	(9.7)	(22.8)
<b>Balance sheet (100%)</b>			
Investment properties	-	128.1	-
Other assets	-	16.1	-
Current liabilities	-	(5.3)	-
Non-current liabilities	-	(111.6)	-
Net assets (100%)	-	27.3	-
<b>Income statement (Group share)</b>			
Revenue – gross rent	-	1.0	2.2
Property and management expenses	-	(0.2)	(0.5)
Void costs	-	(0.1)	(0.2)
Net rent	-	0.7	1.5
Net interest payable	-	(0.6)	(1.1)
Contribution	-	0.1	0.4
Revaluation of investment properties	-	(2.1)	(5.0)
Fair value of interest rate swaps	-	-	-
Loss before tax	-	(2.0)	(4.6)
Tax	-	-	-
Loss after tax (Group share)	-	(2.0)	(4.6)
<b>Balance sheet (Group share)</b>			
Investment properties	-	25.6	-
Other assets	-	3.2	-
Current liabilities	-	(1.1)	-
Non-current liabilities	-	(22.3)	-
Net assets (Group share)	-	5.4	-

## 9 Cash and cash equivalents

	Unaudited 30 June 2019 £m	Audited 30 December 2018 £m
Cash at bank	25.3	27.3
Security disposals held in rent accounts	0.7	0.6
Other restricted balances	4.2	4.1
<b>Total cash and cash equivalents</b>	<b>30.2</b>	<b>32.0</b>

## 10 Borrowings

### Summary of borrowings

The Group's borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. There were no defaults or other breaches of financial covenants under any of the Group borrowings during the current period or the preceding year.

	Unaudited 30 June 2019 £m	Audited 30 December 2018 £m
<b>Borrowings at amortised cost</b>		
<b>Secured</b>		
Fixed and swapped bank loans	438.4	438.4
Total secured borrowings before costs	438.4	438.4
Unamortised issue costs	(5.1)	(5.5)
<b>Total borrowings after costs</b>	<b>433.3</b>	<b>432.9</b>
<b>Analysis of total borrowings after costs</b>		
Current	-	-
Non-current	433.3	432.9
<b>Total borrowings after costs</b>	<b>433.3</b>	<b>432.9</b>

The fair value of total borrowings before costs as at 30 June 2019 was £442.5 million (30 December 2018: £437.9 million).

On 13 March 2019 the Group completed an additional £7 million capital expenditure facility with The Royal Bank of Scotland plc to part fund a cinema development and related leisure works at Hemel Hempstead. At the same time the Group's revolving credit facility was rebased from £30 million to £15 million with improved headroom on both Total Net Worth and Loan to Value covenants. The revolving credit facility and the capital expenditure facility were both undrawn at 30 June 2019 and 30 December 2018.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. All of the assets listed were classified as Level 2, as defined in note 1 to these condensed financial statements. There were no transfers between Levels in the year.

	Unaudited 30 June 2019 £m	Audited 30 December 2018 £m
Interest rate swaps	(3.6)	1.3
	<b>(3.6)</b>	<b>1.3</b>

## 11 Notes to the cash flow statement

	Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
Profit/(loss) for the period	(55.4)	6.7	(25.6)
Adjusted for:			
Income tax charge	-	-	0.1
Finance income	-	(3.2)	(3.1)
Finance expense	14.2	10.8	18.9
Finance lease costs (head lease)	(1.4)	(1.4)	(3.4)
Loss on revaluation of wholly-owned properties	63.0	10.3	47.5
Share of loss in associates and joint ventures	-	2.0	4.6
Depreciation of other fixed assets	0.1	0.2	0.3
Other gains and losses	1.6	(1.3)	4.5
(Increase)/Decrease in receivables	(3.3)	0.2	2.3
Decrease in payables	(1.4)	(5.6)	(0.2)
Non-cash movement relating to share-based payments	0.5	0.5	0.8
<b>Net cash from operations</b>	<b>17.9</b>	<b>19.2</b>	<b>46.7</b>

## 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 2019	Unaudited 30 June 2019	Unaudited 30 June 2019	Audited 30 December 2018 Net assets per share
	Net assets £m	Number of shares million	Net assets per share	
<b>Basic net assets</b>	<b>373.7</b>	<b>726.4</b>	<b>51p</b>	60p
Own shares held	-	(0.2)		
Dilutive contingently issuable shares and share options	-	5.2		
Fair value of fixed rate loans (net of tax)	(4.1)			
<b>EPRA triple net assets</b>	<b>369.6</b>	<b>731.4</b>	<b>51p</b>	59p
Exclude fair value of fixed rate loans (net of tax)	4.1			
Exclude fair value of see-through interest rate derivatives	3.6			
Exclude deferred tax on unrealised gains/capital allowances	(0.1)			
<b>EPRA net assets</b>	<b>377.2</b>	<b>731.4</b>	<b>52p</b>	59p

The number of ordinary shares issued and fully paid at 30 June 2019 was 726,389,117 unchanged from 30 December 2018. There have been no changes to the number of shares from 30 June 2019 to the date of this announcement.

## 13 Return on equity

	Unaudited Six months to 30 June 2019 £m	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
Total comprehensive income attributable to equity shareholders	(55.4)	6.7	(25.6)
Opening equity shareholders' funds plus time weighted additions	433.0	481.9	482.9
Return on equity	(12.8)%	1.4%	(5.3)%

## 14 Related party transactions

There have been no material changes to, or material transactions with, related parties as described in note 31 of the annual audited financial statements for the year ended 30 December 2018.

## 15 Dividends

	<b>Unaudited Six months to 30 June 2019 £m</b>	Unaudited Six months to 30 June 2018 £m	Audited Year to 30 December 2018 £m
Final dividend per share for year ended 30 December 2017 of 1.91p	-	13.7	13.7
Interim dividend per share paid for year ended 30 December 2018 of 1.82p	-	-	13.1
Final dividend per share for year ended 30 December 2018 of 0.60p	<b>4.4</b>	-	-
Amounts recognised as distributions to equity holders in the period	<b>4.4</b>	13.7	26.8

<sup>1</sup> In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been included as a liability in these financial statements.

## 16 Events after the balance sheet date

On 22 July 2019 a fire led to the closure of The Mall, Walthamstow. The first retailers re-opened less than a week after the fire and approximately 75% of the units in the centre are now re-open and trading. The remaining units are expected to re-open progressively over the next six to nine months. The centre is fully insured for both replacement and for up to four years' loss of income.



## Glossary of terms

**Adjusted Profit** is the total of Contribution from wholly-owned assets and the Group's joint ventures and associates, the profit from Snozone and property management fees less central costs (including interest but excluding non-cash charges in respect of share-based payments) after tax. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments and exceptional one-off items. Results from Discontinued Operations are included up until the point of disposal or reclassification as held for sale.

**Adjusted Earnings per share** is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held.

**C&R** is Capital & Regional plc, also referred to as the Group or the Company.

**C&R Trade index** is an internal retail tracker using data from approximately 300 retail units across C&R's shopping centre portfolio.

**Capital return** is the change in market value during the year for properties held at the balance sheet date, after taking account of capital expenditure calculated on a time weighted basis.

**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.

**CRPM** is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from the Mall assets and certain associates and joint ventures of the Group.

**CVA** Company Voluntary Arrangement

**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.

**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 cover** is the ratio of Adjusted Profit (before interest, tax, depreciation and amortisation) to the interest charge (excluding amortisation of finance costs and notional interest on head leases).

**Like-for-like** figures, unless otherwise stated, 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 Market value of properties.

**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 Administrative Expenses to Gross Rent** is the ratio of Administrative Expenses net of external fee income to Gross Rental income including the Group's share of Joint Ventures and Associates

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

**Net initial yield (NIY)** is the annualised current rent, net of revenue costs, topped-up for contractual uplifts, expressed as a percentage of the capital valuation, after adding notional purchaser's costs.

**Net debt to property value** is debt less cash and cash equivalents divided by the property value.

**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 or Net rental income (NRI)** is the Group's share of the rental income, less property and management costs (excluding performance fees) of the Group.

**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.

**Occupancy cost ratio** is the proportion of a retailer's sales compared with the total cost of occupation being: rent, business rates, service charge and insurance. Retailer sales are based on estimates by third party consultants which are periodically updated and indexed using relevant data from the C&R Trade Index.

**Occupancy rate** is the ERV of occupied properties expressed as a percentage of the total ERV of the portfolio, excluding development voids.

**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.

**Rent to sales ratio** is Contracted rent excluding car park income, ancillary income and anchor stores expressed as a percentage of net sales.

**REIT** – Real Estate Investment Trust.

**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.

**Temporary lettings** are those lettings for one year or less.

**Total property return** incorporates net rental income and capital return expressed as a percentage of the capital value employed (opening market value plus capital expenditure) calculated on a time weighted basis.

**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 year to the end of the year plus dividends paid, divided by share price at the beginning of the year.

**Variable overhead** includes discretionary bonuses and the costs of awards to Directors and employees made under the 2008 LTIP and other share schemes which are spread over the performance period.

## EPRA performance measures (Not subject to review opinion)

	30 June 2019	30 June 2018	30 December 2018
EPRA earnings (£m)	13.9	14.6	28.7
EPRA earnings per share (diluted)	1.90p	2.02p	3.95p
EPRA net assets (£m)	377.2	475.0	431.7
EPRA net assets per share	52p	65p	59p
EPRA triple net assets (£m)	369.6	478.5	433.5
EPRA triple net assets per share	51p	66p	59p

### EPRA Cost ratios

	30 June 2019	30 June 2018	30 December 2018
	£m	£m	£m
Cost of sales (adjusted for IFRS head lease differential)	17.8	17.4	35.4
Administrative costs	4.4	4.4	9.2
Service charge income	(7.5)	(7.4)	(14.7)
Management fees	(0.5)	(0.4)	(0.9)
Snozone (indoor ski operation) costs	(4.5)	(4.5)	(8.9)
Share of joint venture & associate expenses	-	0.3	0.7
Less inclusive lease costs recovered through rent	(1.2)	(1.1)	(2.5)
EPRA costs (including direct vacancy costs)	8.5	8.7	18.3
Direct vacancy costs	(1.3)	(1.5)	(2.8)
EPRA costs (excluding direct vacancy costs)	7.2	7.2	15.5
Gross rental income	31.7	32.2	65.0
Less ground rent costs	(1.4)	(1.5)	(2.9)
Share of joint venture & associate gross rental income less ground rent costs	-	1.0	2.2
Less inclusive lease costs recovered through rent	(1.2)	(1.1)	(2.5)
Gross rental income	29.1	30.6	61.8
<b>EPRA cost ratio (including direct vacancy costs)</b>	<b>29.2%</b>	28.4%	29.6%
<b>EPRA cost ratio (excluding vacancy costs)</b>	<b>24.7%</b>	23.5%	25.1%

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## Wholly-owned assets portfolio information (Not subject to review opinion)

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At 30 June 2019

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### Physical data

Number of properties	7
Number of lettable units	762
Lettable space (sq feet – million)	3.5

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### Valuation data

Properties at independent valuation (£m)	797.3
Adjustments for head leases and tenant incentives (£m)	43.1
<b>Properties as shown in the financial statements (£m)</b>	<b>840.4</b>

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Initial yield (%)	6.3
Equivalent yield (%)	6.7
Reversion (%)	10.2
Loan to value ratio (%)	55
Net debt to value ratio (%)	52

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### Lease length (years)

Weighted average lease length to break (years)	5.0
Weighted average lease length to expiry (years)	7.2

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### Passing rent (£m) of leases expiring in:

Six months to 30 December 2019	4.3
Year to 30 December 2020	5.8
Three years to 30 December 2023	16.0

### ERV (£m) of leases expiring in:

Six months to 30 December 2019	5.9
Year to 30 December 2020	6.2
Three years to 30 December 2023	16.3

### Passing rent (£m) subject to review in:

Six months to 30 December 2019	2.6
Year to 30 December 2020	4.0
Three years to 30 December 2023	11.0

### ERV (£m) of passing rent subject to review in:

Six months to 30 December 2019	2.6
Year to 30 December 2020	4.5
Three years to 30 December 2023	10.4

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### Rental Data

Contracted rent at period end (£m)	61.1
Passing rent at period end (£m)	59.8
ERV at period end (£m per annum)	65.9
Occupancy rate (%)	96.8

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**Covenant information** *(Not subject to review opinion)*  
**Wholly-owned assets**

	Borrowings £m	Covenant <sup>1</sup>	30 June 2019	Future changes
<b>Core revolving credit facility (100%)</b>				
Net Assets	-	No less than £250m	£375.0m	
Gearing		No greater than 1.6:1	1.1:1	
Historic interest cover		No less than 200%	379%	
<b>4 Mall assets (100%)</b>				
Loan to value <sup>2</sup>	265.0	No greater than 70%	53%	
Historic interest cover		No less than 175%	298%	
<i>A projected interest cover test also applies at a covenant level of no less than 150%</i>				
<b>Luton (100%)</b>				
Loan to value <sup>2</sup>	103.1	No greater than 80% <sup>3</sup>	60% <sup>3</sup>	Covenant 65% from January 2022
Debt yield		No less than 8%	11%	
Historic interest cover		No less than 250%	371%	
<i>A projected interest cover test also applies at a covenant level of no less than 200%</i>				
<b>Hemel Hempstead (100%)</b>				
Loan to value <sup>4</sup>	26.9	No greater than 60%	43%	
Debt to net rent		No greater than 9:1	8.97:1	
Historic interest cover		No less than 200%	293%	
<i>A projected interest cover test also applies at a covenant level of no less than 200%. The historic interest cover is relaxed for 18 months and debt to net rent covenant waived for 27 months while the development of the Cinema is undertaken.</i>				
<b>Ilford (100%)</b>				
Loan to value <sup>2</sup>	39.0	No greater than 70%	47%	
Historic interest cover		No less than 225%	338%	
<i>A projected interest cover test also applies at a covenant level of no less than 225%</i>				

<sup>1</sup> Covenants quoted are the default covenant levels. The facilities typically also have cash trap mechanisms.

<sup>2</sup> Calculated using 30 June 2019 valuations. Actual bank covenant based on bank valuations updated periodically.

<sup>3</sup> Covenant based on terms agreed post 30 June 2019. Cash trap covenant waived and default covenant increased to 80% until 30 September 2020 (reverts to 65% and 70% respectively thereafter).

<sup>4</sup> Covenant assessed on current loan drawn to projected Gross Development Value of scheme with leisure development.

Sponsor: Java Capital