

10 August 2017

Capital & Regional plc
Half Year Results to 30 June 2017

Capital & Regional plc (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 2017.

Lawrence Hutchings, Chief Executive, said: *“This is a strong set of results which reflect that whilst elements of the retail sector may face challenges, the continued strong occupier demand for our centres as well as the local and convenient nature of our assets, which cater for the non-discretionary and value-orientated needs of our shoppers, gives us great comfort over the security of our income. This, allied with our proven track record of driving income and delivering results through selective but significant capital expenditure investment, underpins the future growth potential of the business. We also see opportunity to further enhance profitability by seeking greater efficiency in our operating platform and streamlining our structure through various initiatives. Some of these are already delivering tangible results and we are initially targeting annualised savings of at least £1.8 million by 2018, equivalent to a c 20% reduction in 2016 central costs.*

“Reflecting the strong feeling of confidence in the future growth prospects of the business, the Board has announced an Interim dividend of 1.73p, representing a 6.8% increase on the prior year. With the second half of the year set to comparatively benefit from several major lettings coming on stream and the timing of recent acquisitions and disposals we expect the Full Year 2017 Dividend will be at the top end of our targeted growth range of at least 5% to 8% per annum.”

Highlights:

Income growth underpins strong financial results and supports an increased dividend, with further improvements expected in H2

- Adjusted Profits¹ up 6.6% to £14.5 million (June 2016: £13.6 million) setting the business on track for its fourth consecutive year of Adjusted Profit growth
- IFRS Profit for the period of £12.1 million (June 2016: Loss of £4.4 million)
- Like-for-like² Net Rental Income up 0.5% despite the loss of H1 2016 BHS income, up 4.4%, once adjusted for this
- 34 new lettings and renewals achieved at an average 21%³ premium to previous rents and an 8.4%³ premium to ERV. Passing rent up 1.7% on a like-for-like basis
- Full period benefit of Ilford acquisition, and timing of Camberley sale in November 2016, will strengthen comparative second half year-on-year performance
- Enhanced focus on cost efficiencies targeting annualised savings of at least c £1.8 million by 2018
- Interim dividend increased by 6.8% to 1.73p per share (June 2016: 1.62p). Second half improvements underpin target for total Full Year 2017 dividend at top end of the stated 5% to 8% per annum growth range

Capex investment and specialist asset management continue to drive performance

- £80 million Capex plan gathering further momentum with a number of significant initiatives substantially completed during the period, including:
 - Blackburn – Wilko opening in September 2017 from the refurbished former BHS unit
 - Walthamstow – new units to Lidl, The Gym and Gökyüzü due to open in Q4 2017
 - Wood Green – £6.4 million new Travelodge scheduled for Q3 2017 opening
- These lettings will bring £1.4 million of annualised rent on stream in H2 2017 from a total capex spend of £11.6 million
- Planning applications to deliver leisure transformation at Hemel Hempstead and Walthamstow extension submitted
- Strong occupier demand reflected in continued high occupancy at 95.5% (31 December 2016: 95.4%)
- 35.4 million shopper visits in first half of the year representing a modest 0.9% like-for-like² fall, though once again significantly outperforming the national index which was -2.7%

Robust balance sheet with long term debt security

- Basic and EPRA NAV per share resilient, at 68p and 67p respectively (December 2016: both 68p)
- £30 million Revolving Credit Facility extended to January 2022, meaning all Group debt has minimum tenure of 4.5 years. Weighted average debt maturity of 7.8 years⁴
- Cost of debt reduced to 3.25%⁵ following £372.5 million January 2017 refinancing leading to annual saving of c £0.5 million

	6 months to June 2017	Year to Dec 2016	6 months to June 2016
Net Rental Income ⁶	£25.0m	£50.4m	£25.4m
Adjusted Profit ¹	£14.5m	£26.8m	£13.6m
Adjusted Earnings per share ¹	2.06p	3.82p	1.94p
IFRS Profit/(Loss) for the period	£12.1m	£(4.4)m	£7.2m
Total dividend per share	1.73p	3.39p	1.62p
Net Asset Value (NAV) per share	68p	68p	71p
EPRA NAV per share	67p	68p	71p
Group net debt ^{6,7}	£403.1m	£398.1m	£403.1m
Net debt to property value ^{6,7}	46%	46%	46%

¹ Adjusted Profit is as defined in the Glossary. It 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 of this, and Adjusted Earnings per share, to the statutory result is provided in the Financial Review. EPRA figures and a reconciliation to EPRA EPS are shown in Note 7 to the Financial Statements. The EPRA 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 Financial Statements.

² Like-for-like excludes the impact of property purchases and sales on year to year comparatives. Like-for-like footfall also excludes entrances impacted by development work. A reconciliation of Like-for-like Net Rental Income to total Net Rental Income for the period is provided in the Financial Review.

³ For lettings and renewals (excluding development deals) with a term of five years or longer and which did not include a turnover element.

⁴ As at 30 June 2017, adjusted for RCF extension completed on 3 August 2017 and assuming exercise of all extension options.

⁵ Assuming RCF fully drawn.

⁶ Wholly-owned assets

⁷ December 2016 figures are proforma, adjusted for the refinancing of Mall assets completed on 4 January 2017, Ipswich disposal completed on 17 February 2017 and Ilford acquisition completed on 8 March 2017.

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About Capital & Regional plc

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. £1 billion portfolio of in-town shopping centres. Capital & Regional is listed on the main market of the London Stock Exchange and has a secondary listing on the Johannesburg Stock Exchange.

Capital & Regional owns seven shopping centres in Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green. It also has a 20% joint venture interest in the Kingfisher Centre in Redditch. Capital & Regional manages these assets through its in-house expert property and asset management platform.

For further information see 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

The core strength and expertise of Capital & Regional lies in its ability to create and deliver specialist asset management improvements across its £1.0 billion portfolio of UK shopping centres, which is underpinned by a strong London and South East bias. A key characteristic of our assets is their dominance in their locality coupled with their ability to offer occupiers attractive, affordable and high footfall space which caters for the non-discretionary and value-orientated needs of the local community.

Delivery of specialist asset management initiatives

In the first six months of the year we spent £7.8 million of the £80 million of capital expenditure investment planned over 2017-2019. We expect the pace of investment to increase in the second half of the year to approximately double this.

A number of significant initiatives have substantially completed during the period:

- At Blackburn the refurbished former BHS unit has been handed over to Wilko and will open in September 2017. Sports Direct, also continues to trade from the unit, now via a direct lease.
- At Walthamstow we have successfully handed over units to Lidl and The Gym and both are due to open in Q4. We have also commenced works to create a new Turkish restaurant for local operator Gökyüzü, which has traded very successfully at our Wood Green centre for a number of years, and two further retail units totalling 5,000 sq ft. All of the above have been created from the former BHS store.
- At Wood Green the new 78 bedroom Travelodge is due to be handed over imminently and will open for trade following a £6.4 million investment project.

The above units will deliver a combined annual rent of £1.4 million from a total Capex spend of approximately £11.6 million. To date, the completed lettings of former BHS units have secured an aggregate annual rent that is equivalent to 104% of the rent being paid by BHS when they ceased trading in August 2016. This is with the two further retail units created from the space at Walthamstow and the whole unit at Maidstone, where we are pursuing a number of alternative options, still to be let.

In April we submitted a planning application for the extension at Walthamstow, having completed a public consultation which was very well received. Our plans include the addition of 90,000 sq ft of new retail and leisure space and 470 new residential apartments. A development agreement is in place with the London Borough of Waltham Forest, which remains supportive of our ambitions for the scheme, and we anticipate a positive decision later in the year.

In Hemel Hempstead work has commenced to renew the atrium roof, the cost of which is being met by the previous owner. In addition, our plans to transform the scheme are gathering pace with a planning application submitted to create a leisure hub anchored by a cinema, for which heads of terms have been agreed with a leading operator, and with up to six new restaurant units.

Operating review

New lettings, renewals and rent reviews

There were 34 new lettings and renewals in the period at a combined average premium of 21%¹ to previous passing rent and an 8.4%¹ premium to ERV.

	6 months to June 2017
New Lettings	
Number of new lettings	22
Rent from new lettings (£m)	£1.5m
Comparison to ERV ¹ (%)	+13.6%
Renewals settled	
Renewals settled	12
Revised rent (£m)	£0.5m
Comparison to ERV ¹ (%)	-3.1%
Combined new lettings and renewals	
Comparison to previous rent ¹	+21%
Comparison to ERV ¹	+8.4%
Rent reviews	
Reviews settled	13
Revised passing rent (£m)	£1.9m
Uplift to previous rent (%)	+1.8%

¹ For lettings and renewals (excluding development deals) with a term of five years or longer which do not include a turnover rent element.

At Walthamstow, in addition to the new Lidl letting, Smiggle has taken a 10 year lease on an 850 sq ft store. At Luton, Kiko and Scotts have signed up to take a split of the former USC unit while KFC has taken a 10 year lease in the new food court.

At Wood Green, Five Guys has taken a 3,750 sq ft unit on a 15 year term whilst at Blackburn significant five year renewals include Superdrug, The Perfume Shop and Thorntons. Superdrug has also signed a new 10 year letting in Maidstone.

The outperformance of new lettings versus ERV demonstrates the affordability and attractiveness of our schemes to occupiers and this evidence will be supportive of rental tones in the future. Whilst lease renewals were settled at a little below ERV this reflects what has become a growing trend in renewal discussions of tenants seeking a lower headline rent rather than rent free incentives. The net effective rent achieved, assuming that all renewals in the first half were for a five year term was, at 97.3% of ERV, 1.8% higher than assumed by the Group's valuers.

Since 30 June 2017 the positive letting momentum has continued with Superdrug and Aldo both renewing at Wood Green, Boots renewing at Luton and Maidstone, as well as new lettings to Republic at Luton and Card Factory at Ilford.

Operating review

Rental income and occupancy

<i>Like for like excluding The Exchange, Ilford</i>	30 June 2017	30 December 2016	30 June 2016
Contracted rent (£m)	57.8	57.5	57.2
Passing rent (£m)	53.9	53.0	53.1
Occupancy (%)	95.6	95.4	96.4

The £0.6 million year-on-year increase in contracted rent represents an excellent performance given the loss of £1.0 million of rent in the second half of 2016 as a consequence of the BHS administration. At 30 June 2017 there was £2.5 million of contracted rent where the tenant is in a rent free period; of this £1.8 million will convert to passing rent this year. There is a further £1.5 million of committed transactions where works are being undertaken prior to the handover of the units to tenants.

Occupancy has increased from December 2016 despite the seasonal impact of Christmas trading. The fall in year-on-year occupancy of 0.8% is driven primarily by the impact of the BHS store at Maidstone.

Administrations

	6 months to June 2017	12 months to December 2016 ¹	6 months to June 2016 ¹
Administrations (units)	11	18	12
Passing rent of administrations (£m)	0.5	2.4	1.9

¹ Comparatives exclude the impact of The Mall, Camberley which was disposed of in November 2016.

The number of administrations is broadly in line with 2016, but the value is much reduced owing to the impact of BHS last year. The most significant insolvency was Blue Inc involving five units with a total rent of £0.3 million. As at 30 June 2017 three of the 11 units affected by administration had been re-let and two, with a combined rent of £0.3 million, were continuing to trade as usual.

Operational performance

There were 35.4 million visits to our centres in the first half of the year. While this represented a slight like-for-like decrease of 0.9%¹, we significantly outperformed the national index which declined by 2.7%. Footfall in July was down 0.4%¹ year on year compared to the national index at -2.7%. Car Park usage has been stable and car park income, at £4.7 million, is up 11% on a like-for-like basis.

Our C&R Trade Index showed retailers' sales in our schemes up 0.3% for the six months, with June up 1.7%. Our Collect+ service continues to expand with in excess of 20,000 packages handled in the first half, an increase of 34% year on year.

¹ Like for like excluding The Exchange Centre, Ilford and entrances impacted by development work.

Operating review

Other assets and operations

The Kingfisher Centre, Redditch (C&R ownership 20%)

The former BHS unit was re-let during the period to The Range which opened in July 2017. Other significant lettings include Delightful Desserts and Shake Dog Red although the scheme was impacted by the insolvencies of 99p Stores and Linens Direct as well as the closure of Argos. The property was valued at £147.0 million, reflecting a net initial yield of 6.50%. Capital expenditure in the period was £0.4 million.

Snozone

Snozone enjoyed another successful trading period with revenues increasing to £5.5 million and profit to just over £1.0 million. The development of initiatives including SnoAcademy and the Disability Snowschool have supplemented Snozone's core offering and helped contribute to the strong financial performance. The operational expertise of Snozone is also regularly utilised to assist our property business, particularly with regard to initiatives involving the leisure sector.

FINANCIAL REVIEW

<i>Wholly-owned assets</i>	Six months to June 2017	Year to Dec 2016	Six months to June 2016
Profitability			
Net Rental Income (NRI) ¹	£25.0m	£50.4m	£25.4m
Adjusted Profit ²	£14.5m	£26.8m	£13.6m
Adjusted Earnings per share	2.06p	3.82p	1.94p
IFRS Profit/(Loss) for the period	£12.1m	£(4.4)m	£7.2m
EPRA cost ratio (excluding vacancy costs)	25.3%	27.4%	26.4%
Net Administrative Expenses to Gross Rent	12.1%	13.6%	12.7%
Investment returns			
Net Asset Value (NAV) per share	68p	68p	71p
EPRA NAV per share	67p	68p	71p
Dividend per share	1.73p	3.39p	1.62p
Dividend pay-out	84.0%	88.7%	83.5%
Return on equity	2.5%	(0.9)%	1.4%
Financing³			
Group net debt	£403.1m	£398.1m	£403.1m
Group net debt to property value	46%	46%	46%
Average maturity of Group debt ⁴	7.8 years	8.0 years	3.1 years
Cost of Group debt ⁵	3.25%	3.25%	3.46%

¹ Wholly-owned assets.

² Adjusted Profit is as defined in the Glossary. It 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 statutory result is provided below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 7 to the Financial Statements.

³ December 2016 comparative figures in this section are adjusted for the refinancing of Mall assets completed on 4 January 2017, Ipswich disposal completed on 17 February 2017 and Ilford acquisition completed on 8 March 2017.

⁴ 30 June 2017 adjusted to reflect RCF extensions completed on 3 August 2017. December 2016 figure is as at date of results (9 March 2017) reflecting debt drawn on Ilford acquisition. Calculations assume exercise of all extension options.

⁵ Assuming RCF fully drawn.

The above results are discussed on the following pages.

FINANCIAL REVIEW

Profitability

Components of Adjusted Profit and reconciliation to IFRS Profit

<i>Amounts in £m</i>	Six months to June 2017	Year to December 2016	Six months to June 2016
Net Rental Income (NRI)			
Wholly-owned assets (see analysis on next page)	25.0	50.4	25.4
Kingfisher, Redditch ¹	0.7	1.7	0.9
Buttermarket, Ipswich ²	-	0.5	0.1
	25.7	52.6	26.4
Net interest (see analysis on page 11)	(9.4)	(20.3)	(10.5)
Snozone profit (indoor ski operation)	1.0	1.4	1.0
Central operating costs net of external fees	(2.7)	(6.9)	(3.2)
Tax	(0.1)	-	(0.1)
Adjusted Profit	14.5	26.8	13.6
Adjusted Earnings per share (pence)³	2.1p	3.8p	1.9p
<i>Reconciliation of Adjusted Profit to statutory result</i>			
Adjusted Profit	14.5	26.8	13.6
Property revaluation (including Deferred Tax)	(2.8)	(14.5)	(8.6)
(Loss)/profit on disposals	-	(2.6)	4.3
Gain/(loss) on financial instruments	0.6	(2.5)	(1.8)
Refinancing costs	-	(11.0)	-
Other items ⁴	(0.2)	(0.6)	(0.3)
Profit/(loss) for the period	12.1	(4.4)	7.2

¹ See note 9d to the Financial Statements.

² See note 9e to the Financial Statements.

³ EPRA figures and a reconciliation to EPRA EPS are shown in Note 7 to the Financial Statements.

⁴ Includes £0.4 million for the non-cash accounting charge in respect of share-based payments (Year to December 2016: £0.5 million, Six months to June 2016: £0.3 million)

Adjusted Profit increased by 6.6% on the prior year driven by an increase in like-for-like NRI, lower interest costs following the refinancing of the Mall assets and a £0.5 million reduction in net central operating costs.

NRI fell on an absolute basis due to the timing of acquisitions and disposals, with the impact of the Camberley and Ipswich sales not fully offset by the Ilford acquisition, which was purchased part way through the current period, and the full period benefit of Hemel Hempstead which was purchased part way through the first half of 2016. Further details are provided in the wholly-owned NRI section below.

Net interest fell by £1.1 million compared to the prior year period due to the timing of acquisitions and disposals and a lower average interest cost arising from the refinancing of the Mall assets and the new debt drawn on Ilford.

Net central operating costs improved by £0.5 million compared to H1 2016. As the benefit of completed and further cost initiatives continue to flow through we expect the full year rate of improvement to accelerate.

Financial review

Wholly-owned assets net rental income (NRI)

<i>Amounts in £m</i>	Six months to June 2017	Six months to June 2016	
<i>Like for like excluding BHS</i> <i>(Blackburn, Luton, Maidstone, Walthamstow, Wood Green)</i>	21.5	20.6	+4.4%
<i>Impact of BHS</i>	-0.3	+0.5	
Like for like (Blackburn, Luton, Maidstone, Walthamstow, Wood Green)	21.2	21.1	+0.5%
Hemel Hempstead – acquired February/March 2016	2.0	1.6	
Camberley (sold November 2016) and other disposals	-	2.7	
Ilford – acquired 8 March 2017	1.8	-	
Net rental income (NRI)	25.0	25.4	

Like-for-like NRI growth was 0.5%, despite the net impact of £0.8 million from the loss of the three BHS units which ceased trading in August 2016. Excluding this it was 4.4%. The openings of the new Wilko in Blackburn, and Lidl and The Gym at Walthamstow, created from the former BHS space, will drive NRI growth in the second half of the year, together with the new Travelodge at Wood Green.

Net Asset Value (NAV)

NAV at £481.1 million and EPRA NAV at £482.9 million increased marginally during the period (December 2016: £477.6 million and £481.5 million respectively) with profit for the period offsetting the payment of the Final 2016 Dividend. The valuation of the wholly-owned portfolio at 30 June 2017 was £879.8 million, reflecting a net initial yield of 5.97%. This is in line with the 30 December 2016 valuation of £794.1 million after allowing for capital expenditure in the period of £7.7 million and the £78.0 million acquisition of The Exchange Centre, Ilford in March 2017, excluding acquisition costs of c £1.0 million.

On a per share basis Basic NAV was stable at 68p. EPRA NAV fell by 1p to 67p due to a slightly higher number of dilutive shares and shares in issue.

Property portfolio valuation

Property at independent valuation	30 June 2017		30 December 2016	
	£m	NIY %	£m	NIY %
Wholly-owned portfolio	879.8	5.97	794.1	6.01

Financing

Net interest on a see-through basis

Amounts in £m	Six months to 30 June 2017	Year to 30 December 2016	Six months to 30 June 2016
Wholly-owned assets			
Net Interest on loans	6.9	14.0	7.0
Amortisation of refinancing costs	0.4	1.4	0.8
Notional interest charge on head leases ¹	1.7	3.6	1.8
	9.0	19.0	9.6
Kingfisher, Redditch	0.3	0.8	0.4
Buttermarket, Ipswich	-	0.1	0.2
Central	0.1	0.4	0.3
Net Group interest	9.4	20.3	10.5

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

Net interest fell by £1.1 million compared to the prior year period due to the timing of acquisitions and disposals and the lower average cost of debt (3.25% at 30 June 2017 v 3.47% at 30 June 2016) arising from the refinancing of the Mall assets that completed in January 2017 and the new £39 million of debt on the Ilford acquisition that was fixed at an all-in rate of 2.76%.

Group debt

	Debt ¹	Cash ²	Net debt	Loan to value ³	Net debt to value ³	Average interest rate	Fixed	Duration to loan expiry	Duration with extensions
30 June 2017	£m	£m	£m	%	%	%	%	Years	Years
Four Mall assets	255.0	(9.1)	245.9	48%	46%	3.36	100	7.7	9.1
Luton	107.5	(8.6)	98.9	51%	47%	3.14	100	6.5	6.5
Hemel Hempstead	26.9	(1.2)	25.7	50%	48%	3.32	100	4.5	5.5
Ilford	39.0	(3.6)	35.4	49%	44%	2.76	100	6.7	6.7
Group RCF ⁴	-	(2.8)	(2.8)	-	-	3.33	-	4.6	4.6
On balance sheet debt	428.4	(25.3)	403.1	49%	46%	3.25	94	6.9	7.8

¹ Excluding unamortised issue costs.

² Excluding cash beneficially owned by tenants.

³ Debt and net debt divided by investment property at valuation.

⁴ At 30 June 2017, adjusted for RCF extension completed on 3 August 2017.

Our target range for net debt to property value remains 40%-50% with an intention to bring this to the lower end of that range in the medium term.

Group Revolving Credit Facility (RCF)

The £30 million facility was extended on 3 August 2017 for a further three years such that it now matures on 22 January 2022. Interest on the facility is charged at a margin of 3.0% per annum above LIBOR. A non-utilisation fee of 1.5% is payable. No amount was drawn at 30 June 2017.

Covenants

The Group and its Redditch joint venture were compliant with their banking and debt covenants at 30 June 2017.

Financial review

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.

Dividend

The Board is proposing an interim dividend of 1.73 pence per share, all of which will be paid as a Property Income Distribution (PID). This represents an increase of 6.8% from the 2016 Interim dividend. A Scrip dividend alternative may be offered.

The key dates in relation to the payment of the dividend are:

- | | |
|---|-------------------|
| • Confirmation of ZAR equivalent dividend | 26 September 2017 |
| • Last day to trade on Johannesburg Stock Exchange (JSE) | 3 October 2017 |
| • Shares trade ex-dividend on the JSE | 4 October 2017 |
| • Shares trade ex-dividend on the London Stock Exchange (LSE) | 5 October 2017 |
| • Record date for LSE and JSE | 6 October 2017 |
| • Dividend payment date | 26 October 2017 |

If a Scrip dividend alternative is offered the deadline for submission of valid election forms will be 6 October 2017. South African shareholders are advised that the dividend will be regarded as a foreign dividend. Further details relating to Withholding Tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on 26 September 2017. Share certificates on the South African register may not be dematerialised or rematerialised between 4 October 2017 and 6 October 2017, both dates inclusive. Transfers between the UK and South African registers may not take place between 26 September 2017 and 6 October 2017, both dates inclusive.

Outlook

Whilst elements of the retail sector may face challenges, the continued strong occupier demand for our centres as well as the local and convenient nature of our assets, which cater for the non-discretionary and value-orientated needs of our shoppers, gives us great comfort over the security of our income. This, allied with our proven track record of driving income and delivering results through selective but significant capital expenditure investment, underpins the future growth potential of the business.

Reflecting the strong feeling of confidence in the future growth prospects of the business, the Board has announced an Interim dividend of 1.73p, representing a 6.8% increase on the prior year. With the second half of the year set to comparatively benefit the timing of recent acquisitions and several major lettings coming on stream we expect the Full Year 2017 Dividend will be at the top end of our targeted growth range of at least 5% to 8% per annum.

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 28 to 31 of the Group's 2016 Annual Report. A further review was carried out for the 30 June 2017 half year. This review concluded that the nature of the Group's risks had not significantly changed in the last six months and therefore the principal risks to the Group remain those disclosed in the 2016 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.
- *Threat from the internet* - The trend towards online shopping 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 and funding* - 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.
- *Covenant compliance risks* - Breach of any loan covenants could cause default on debt and possible accelerated maturity. Unremedied breaches can trigger demand for immediate repayment of loans.
- *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

9 August 2017

Charles Staveley

Group Finance Director

9 August 2017

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 2017 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 17. 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 1, 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 2017 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
9 August 2017

Condensed consolidated income statement

For the six months to 30 June 2017

	Note	Unaudited Six months to 30 June 2017 £m	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2016 £m
Continuing operations				
Revenue	3b	43.9	43.9	87.2
Cost of sales		(16.6)	(16.1)	(32.5)
Gross profit		27.3	27.8	54.7
Administrative costs		(4.8)	(5.2)	(10.9)
Share of (loss)/profit in associates and joint ventures	9a	(1.1)	1.9	0.3
Loss on revaluation of investment properties	8a	(1.3)	(10.3)	(14.2)
Other gains and losses	5	0.3	4.4	(1.8)
Profit on ordinary activities before financing		20.4	18.6	28.1
Finance income		0.8	0.2	0.4
Finance costs		(9.1)	(11.6)	(33.0)
Profit before tax		12.1	7.2	(4.5)
Tax	6	-	-	0.1
Profit/(loss) for the period		12.1	7.2	(4.4)
Basic earnings per share	7	1.7p	1.0p	(0.6)p
Diluted earnings per share	7	1.7p	1.0p	(0.6)p
EPRA basic earnings per share	7	2.0p	1.9p	3.7p
EPRA diluted earnings per share	7	2.0p	1.9p	3.7p

Condensed consolidated statement of comprehensive income

For the six months to 30 June 2017

	Unaudited six months to 30 June 2017 £m	Unaudited six months to 30 June 2016 £m	Audited Year to 30 December 2016 £m
Profit for the period	12.1	7.2	(4.4)
Other comprehensive income	-	-	-
Total comprehensive income for the period	12.1	7.2	(4.4)

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

The EPRA 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 Financial Statements. EPRA Earnings and EPRA EPS are shown in Note 7 to the Financial Statements. EPRA net assets and EPRA triple net assets are shown in Note 13 to the Financial Statements.

Condensed consolidated balance sheet

At 30 June 2017

	Note	Unaudited 30 June 2017 £m	Audited 30 December 2016 £m
Non-current assets			
Investment properties	8	924.2	838.5
Plant and equipment		1.1	0.9
Fixed asset investments		2.0	1.9
Receivables		13.4	14.3
Investment in associates	9b	12.6	13.9
Total non-current assets		953.3	869.5
Current assets			
Receivables		19.5	13.4
Cash and cash equivalents	10	31.1	49.1
Assets classified as held for sale		-	13.9
Total current assets		50.6	76.4
Total assets		1,003.9	945.9
Current liabilities			
Bank loans	11	-	(334.6)
Trade and other payables		(35.2)	(41.3)
Liabilities directly associated with assets held for sale		-	(0.4)
Total current liabilities		(35.2)	(376.3)
Net current assets		15.4	(299.9)
Non-current liabilities			
Bank loans	11	(422.2)	(26.2)
Other payables		(4.0)	(4.4)
Obligations under finance leases		(61.4)	(61.4)
Total non-current liabilities		(487.6)	(92.0)
Total liabilities		(522.8)	(468.3)
Net assets		481.1	477.6
Equity			
Share capital	16	7.1	7.0
Share premium	16	161.5	158.2
Other reserves		60.3	60.3
Capital redemption reserve		4.4	4.4
Own shares held		(0.4)	(0.4)
Retained earnings		248.2	248.1
Equity shareholders' funds		481.1	477.6
Basic net assets per share	13	£0.68	£0.68
EPRA triple net assets per share	13	£0.67	£0.67
EPRA net assets per share	13	£0.67	£0.68

Condensed consolidated statement of changes in equity

For the six months to 30 June 2017

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Own shares held	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 30 December 2015	7.0	157.2	60.3	4.4	(0.6)	274.9	503.2
Profit for the period	-	-	-	-	-	7.2	7.2
Other comprehensive loss for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	7.2	7.2
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.3	0.3
Dividends paid (note 16)	-	-	-	-	-	(11.3)	(11.3)
Balance at 30 June 2016 (unaudited)	7.0	157.2	60.3	4.4	(0.6)	271.1	499.4
Profit for the period	-	-	-	-	-	(11.6)	(11.6)
Other comprehensive loss for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(11.6)	(11.6)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.2	0.2
Dividends paid (note 16), net of Scrip	-	-	-	-	-	(10.4)	(10.4)
Shares issued, net of costs	-	1.0	-	-	-	(1.0)	-
Other movements	-	-	-	-	0.2	(0.2)	-
Balance at 30 December 2016	7.0	158.2	60.3	4.4	(0.4)	248.1	477.6
Profit for the period	-	-	-	-	-	12.1	12.1
Other comprehensive loss for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	12.1	12.1
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.4	0.4
Dividends paid (note 16), net of Scrip	-	-	-	-	-	(9.0)	(9.0)
Shares issued, net of costs	0.1	3.3	-	-	-	(3.4)	-
Balance at 30 June 2017 (unaudited)	7.1	161.5	60.3	4.4	(0.4)	248.2	481.1

Condensed consolidated cash flow statement

For the six months to 30 June 2017

	Note	Unaudited Six months to 30 June 2017 £m	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2016 £m
Operating activities				
Net cash from operations	12	19.8	21.5	41.1
Distributions received from associates/investments		0.7	0.5	4.7
Interest paid		(6.7)	(7.1)	(14.6)
Interest received		0.1	-	0.1
Cash flows from operating activities		13.9	14.9	31.3
Investing activities				
Acquisition of The Exchange, Ilford		(79.0)	-	-
Acquisitions in Hemel Hempstead		-	(56.6)	(56.6)
Disposal of Buttermarket, Ipswich		9.7	-	-
Disposal of The Mall, Camberley		-	-	85.7
Other disposals		-	0.4	0.7
Purchase of plant and equipment		(0.3)	(0.3)	(0.5)
Capital expenditure on investment properties		(6.8)	(11.2)	(20.6)
Cash flows from investing activities		(76.4)	(67.7)	8.7
Financing activities				
Dividends paid (net of Scrip) including withholding tax		(8.9)	(11.4)	(21.7)
Bank loans drawn down		401.5	43.6	26.9
Bank loans repaid		(334.6)	(0.2)	(45.4)
Loan arrangement costs		(13.5)	(0.6)	(0.6)
Cash flows from financing activities		44.5	31.4	(40.8)
Net (decrease)/increase in cash and cash equivalents		(18.0)	(21.4)	(0.8)
Cash and cash equivalents at the beginning of the period		49.1	49.9	49.9
Cash and cash equivalents at the end of the period	10	31.1	28.5	49.1

Notes to the condensed financial statements

For the six months to 30 June 2017

1 General information

The comparative information included for the year ended 30 December 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

2 Accounting policies

Basis of preparation

The annual financial statements of Capital & Regional plc are prepared in accordance with 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 principal exchange rates used to translate foreign currency denominated amounts are:

Balance sheet: £1 = €1.137 (30 June 2016: £1 = €1.210; 31 December 2016: £1 = €1.168)

Income statement: £1 = €1.162 (30 June 2016: £1 = €1.285; 31 December 2016: £1 = €1.224).

The Half-Year Report was approved by the Board on 9 August 2017.

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 10 and 11 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 2016. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following accounting standards or interpretations were effective for the period beginning 31 December 2016 and have been applied in preparing these financial statements to the extent they are relevant to the preparation of financial information:

- IFRS 11 'Accounting for acquisitions of interests in joint operations – amendments to IFRS 11'
- IAS 1 'Disclosure initiative – amendments to IAS 1'
- IAS 16 and IAS 38 (amendments) 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- IAS 27 (amendment) 'Equity Method in Separate Financial Statements'

None of the standards above have impacted the Group's reporting.

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, and their potential impact on the Group's accounting, are set out below:

- IFRS 15 Revenue from Contracts with Customers (effective for year ending 30 December 2019) - does not apply to gross rental income, but does apply to service charge income, other fees and trading property disposals. The Group does not expect adoption of IFRS 15 to have a material impact on the measurement of revenue recognition, but additional disclosures will be required with regards to the above sources of income.
- IFRS 9 Financial Instruments (effective for year ending 30 December 2019) - will impact both the measurement and disclosures of financial instruments. The Group has not yet completed its evaluation of the effect of the adoption but it may impact the measurement and presentation of the Group's financial liabilities.
- IFRS 16 Leases (effective for year ending 30 December 2020) - will result in the Group recognising on balance sheet assets its leases along with a corresponding liability. The primary lease contracts that this will impact are the lease on the Group's head offices and the leases of the Snozone business for its Castleford and Milton Keynes operations. 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 Wholly-owned assets, Other UK Shopping Centres, Snozone and Group/Central. Wholly-owned assets consists of the shopping centres at Blackburn, Hemel Hempstead, Ilford (from acquisition on 8 March 2017), Luton, Maidstone, Walthamstow and Wood Green and, in the prior year periods, Camberley, until its disposal on 11 November 2016. Other UK Shopping Centres consists of the Group's interests in Kingfisher Limited Partnership (Redditch) and, in the prior year, until its reclassification as held for sale on 30 December 2016, Buttermarket Ipswich Limited. 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.

Wholly-owned assets and Other UK Shopping Centres derive their 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.

	UK Shopping Centres		Snozone	Group/Central	Total
	Wholly-owned assets	Other UK Shopping Centres (Kingfisher Redditch)			
	£m	£m	£m	£m	£m
Six months to 30 June 2017					
Rental income from external sources	30.9	1.1	-	-	32.0
Property and void costs	(5.9)	(0.4)	-	-	(6.3)
Net rental income	25.0	0.7	-	-	25.7
Net interest expense	(9.0)	(0.3)	-	(0.1)	(9.4)
Snozone income/Management fees ¹	-	-	5.5	1.1	6.6
Management expenses	-	-	(4.4)	(3.4)	(7.8)
Investment income	-	-	-	0.2	0.2
Depreciation	-	-	(0.1)	-	(0.1)
Variable overhead (excluding non-cash items)	-	-	-	(0.6)	(0.6)
Tax (charge)/credit	-	(0.1)	-	-	(0.1)
Adjusted Profit	16.0	0.3	1.0	(2.8)	14.5
Revaluation of properties	(1.3)	(1.5)	-	-	(2.8)
Profit on disposal	-	-	-	-	-
(Loss)/gain on financial instruments	0.5	0.1	-	-	0.6
Share-based payments (non-cash)	-	-	-	(0.4)	(0.4)
Other items	-	-	-	0.2	0.2
Profit after tax	15.2	(1.1)	1.0	(3.0)	12.1
Total assets	979.2	30.8	3.4	8.7	1,022.1
Total liabilities	(516.8)	(18.2)	(1.7)	(4.3)	(541.0)
Net assets	462.4	12.6	1.7	4.4	481.1

¹ Asset management fees of £2.0 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

	UK Shopping Centres		Snozone	Group/Central	Total
	Wholly-owned assets	Other UK Shopping Centres ¹			
Six months to 30 June 2016	£m	£m	£m	£m	£m
Rental income from external sources	30.8	1.5	-	-	32.3
Property and void costs	(5.4)	(0.5)	-	-	(5.9)
Net rental income	25.4	1.0	-	-	26.4
Net interest expense	(9.6)	(0.6)	-	(0.3)	(10.5)
Snozone income/Management fees ²	-	-	5.4	1.3	6.7
Management expenses	-	-	(4.3)	(3.8)	(8.1)
Depreciation	-	-	(0.1)	(0.1)	(0.2)
Variable overhead (excluding non-cash items)	-	-	-	(0.6)	(0.6)
Tax (charge)/credit	-	(0.1)	-	-	(0.1)
Adjusted Profit	15.8	0.3	1.0	(3.5)	13.6
Revaluation of properties	(10.3)	3.3	-	-	(7.0)
Profit on disposal	0.6	-	-	0.1	0.7
(Loss)/gain on financial instruments	(1.6)	(0.2)	-	-	(1.8)
Share-based payments (non-cash)	-	-	-	(0.3)	(0.3)
Other items	-	(1.5)	-	3.5	2.0
Profit after tax	4.5	1.9	1.0	(0.2)	7.2
Total assets	982.6	57.5	2.8	8.1	1,051.0
Total liabilities	(501.8)	(28.4)	(1.1)	(20.3)	(551.6)
Net assets	480.8	29.1	1.7	(12.2)	499.4

¹ Buttermarket Ipswich and Kingfisher Redditch.

² Asset management fees of £1.8 million charged internally from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above which has also been restated to exclude other internal cost recharges.

3 Operating segments (continued)

3a Operating segment performance

	UK Shopping Centres				Total
	Wholly-owned assets	Other UK Shopping Centres ¹	Snozone	Group/Central	
Year to 30 December 2016	£m	£m	£m	£m	£m
Rental income from external sources	62.0	3.4	-	-	65.4
Property and void costs	(11.6)	(1.2)	-	-	(12.8)
Net rental income	50.4	2.2	-	-	52.6
Net interest expense	(19.0)	(0.9)	-	(0.4)	(20.3)
Snozone income/Management fees ²	-	-	10.2	2.4	12.6
Management expenses	-	-	(8.7)	(7.8)	(16.5)
Investment income	-	-	-	0.3	0.3
Depreciation	-	-	(0.1)	-	(0.1)
Variable overhead (excluding non-cash items)	-	-	-	(1.8)	(1.8)
Tax (charge)/credit	-	(0.1)	-	0.1	-
Adjusted Profit	31.4	1.2	1.4	(7.2)	26.8
Revaluation of properties	(14.2)	1.2	-	-	(13.0)
Deferred tax on revaluation of properties	-	(1.5)	-	-	(1.5)
Loss on disposal ³	(5.9)	(0.6)	-	-	(6.5)
Income from Euro B Note ⁴	-	-	-	3.9	3.9
Loss on financial instruments	(2.5)	-	-	-	(2.5)
Refinancing costs ⁵	(11.0)	-	-	-	(11.0)
Share-based payments (non-cash)	-	-	-	(0.5)	(0.5)
Other items	-	-	-	(0.1)	(0.1)
Profit after tax	(2.2)	0.3	1.4	(3.9)	(4.4)
Total assets	885.9	32.1	4.0	42.1	964.1
Total liabilities	(460.9)	(18.2)	(2.1)	(5.3)	(486.5)
Net assets	425.0	13.9⁶	1.9	36.8⁶	477.6

¹ Includes Buttermarket Ipswich and Kingfisher Redditch. For further information see Note 9.

² Asset management fees of £3.6 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.

³ Includes £0.6 million impairment of Ipswich trading property recognised on reclassification as held for sale.

⁴ £3.9 million of monies were received in 2016 through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies were distributed following the sale of properties by the liquidator of the underlying entities.

⁵ Refinancing costs consist of those triggered by serving notice on the existing debt facility on five Mall assets on 28 December 2016. They comprised £7.6 million of fixed rate loan redemption costs and the write off of the £3.4 million of financing costs that were unamortised at 30 December 2016.

⁶ Net assets of the Buttermarket Ipswich joint venture were included within Group following its reclassification as held for sale on 30 December 2016. The results for the year are reflected in the Other UK Shopping Centres column.

3b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	Unaudited Six months to 30 June 2017 £m	Unaudited Six months 30 June 2016 £m	Audited Year to 30 December 2016 £m
Rental income from external sources	3a	32.0	32.3	65.4
Service charge income		7.1	7.2	14.0
Management fees	3a	1.1	1.3	2.4
Snozone income	3a	5.5	5.4	10.2
Revenue for reportable segments		45.7	46.2	92.0
Elimination of inter-segment revenue		(0.7)	(0.8)	(1.4)
Rental income earned by associates and joint ventures		(1.1)	(1.5)	(3.4)
Revenue per consolidated income statement		43.9	43.9	87.2

Revenues during the year 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 2017 £m	Unaudited Six months 30 June 2016 £m	Audited Year to 30 December 2016 £m
Balance sheet	Note			
Total assets of reportable segments	3a	1,022.1	1,051.0	964.1
Adjustment for associates and joint ventures		(18.2)	(28.4)	(18.2)
Group assets		1,003.9	1,022.6	945.9
Total liabilities of reportable segments	3a	(541.0)	(551.6)	(486.5)
Adjustment for associates and joint ventures		18.2	28.4	18.2
Group liabilities		(522.8)	(523.2)	(468.3)
Net assets by country				
UK		480.9	499.2	477.5
Germany		0.2	0.2	0.1
Net assets by country		481.1	499.4	477.6

4 Revenue

		Unaudited Six months to 30 June 2017 £m	Unaudited Six months 30 June 2016 £m	Audited Year to 30 December 2016 £m
Statutory	Note			
Gross rental income		25.1	25.8	51.0
Ancillary income		5.8	5.0	11.0
		30.8	30.8	62.0
Service charge income		7.1	7.2	14.0
External management fees		0.4	0.5	1.0
Snozone income	3a	5.5	5.4	10.2
Revenue per consolidated income statement – continuing operations	3b	43.9	43.9	87.2

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 Other gains and losses

Other gains and losses in the prior year related primarily to losses on the sale of The Mall, Camberley of £6.3 million, partially offset by £3.9 million recovered through the German Euro B-Note junior loan instrument, a £0.4 million profit on the sale of a unit in Maidstone and a £0.2 million receipt related to a property disposed of in a prior year. The German Euro B-Note junior loan instrument had previously been fully impaired. The £3.9 million was received following the sale of properties by the liquidator of the underlying German portfolio. A further £0.3 million was received in the current period.

6 Tax

		Unaudited Six months to 30 June 2017 £m	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2016 £m
Tax charge				
UK corporation tax		-	-	-
Adjustments in respect of prior years		-	-	(0.1)
Total current tax charge		-	-	(0.1)
Deferred tax		-	-	-
Total tax charge		-	-	(0.1)

6 Tax (continued)

	Unaudited Six months to 30 June 2017 £m	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2016 £m
Tax charge reconciliation			
Profit before tax on continuing operations	12.1	7.2	97.6
Profit multiplied by the UK corporation tax rate of 19.25% (30 June 2016 and 30 December 2016: 20%)	2.3	1.4	19.8
REIT exempt income and gains	(2.5)	(0.4)	(18.5)
Non-allowable expenses and non-taxable items	0.2	(0.4)	-
Utilisation of tax losses	0.1	0.1	0.3
Unrealised gains on investment properties not taxable at the Group	-	(0.7)	(1.5)
Temporary timing differences	-	-	(0.1)
Adjustments in respect of prior years	(0.1)	-	-
Total tax charge – continuing operations	-	-	-

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% (2016: 17%).

The Group has recognised a deferred tax asset of £0.1 million (30 December 2016: £0.1 million). 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 £14.1 million (30 December 2016: £13.9 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 2016: £nil). The Group has unused capital losses of £30.5 million (30 December 2016: £30.5 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.

7 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:

	Six months to 30 June 2017 (unaudited)			Six months to 30 June 2016 (unaudited)			Year to 30 December 2016 (audited)			
	No te	Profit	EPRA	Adjusted Profit	Profit	EPRA	Adjusted Profit	Profit	EPRA	Adjusted Profit
Profit (£m)										
Profit/(loss) for the year		12.1	12.1	12.1	7.2	7.2	7.2	(4.4)	(4.4)	(4.4)
Revaluation loss/(gain) on investment properties (net of tax)	3a	-	2.8	2.8	-	8.6	8.6	-	14.5	14.5
(Profit)/loss on disposal of properties (net of tax)	3a	-	-	-	-	(0.7)	(0.7)	-	6.5	6.5
Income from German B Note		-	(0.3)	(0.3)	-	(3.6)	(3.6)	-	(3.9)	(3.9)
Changes in fair value of financial instruments	3a	-	(0.6)	(0.6)	-	1.8	1.8	-	2.5	2.5
Refinancing costs		-	-	-	-	-	-	-	11.0	11.0
Share-based payments	3a	-	-	0.4	-	-	0.3	-	-	0.5
Other items		-	-	0.1	-	-	-	-	-	0.1
Profit		12.1	14.0	14.5	7.2	13.4	13.6	(4.4)	26.2	26.8
Earnings per share (pence)		1.7p	2.0p	2.1p	1.0p	1.9p	1.9p	(0.6)p	3.7p	3.8p
Diluted earnings per share (pence)		1.7p	2.0p	2.0p	1.0p	1.9p	1.9p	(0.6)p	3.7p	3.8p

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

7 Earnings per share (continued)

Weighted average number of shares (m)	Six months to 30 June 2017	Six months to 30 June 2016	Year to 30 December 2016
Ordinary shares in issue	703.9	700.8	701.0
Own shares held	(0.6)	(1.0)	(0.6)
Basic	703.3	699.8	700.4
Dilutive contingently issuable shares and share options	10.5	5.5	10.0
Diluted	713.8	705.3	710.4

At the end of the period, the Group had 13.6 million (30 December 2016: 11.9 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 2017.

Headline earnings per share

	Six months to 30 June 2017		Six months to 30 June 2016		Year to 30 December 2016	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Profit (£m)						
Profit for the period	12.1	12.1	7.2	7.2	(4.4)	(4.4)
Revaluation of investment properties (net of tax)	2.8	2.8	8.6	8.6	14.5	14.5
Profit on disposal of investment properties (net of tax)	-	-	(0.7)	(0.7)	6.5	6.5
Profit on German B Note (Note 5)	(0.3)	(0.3)	(3.6)	(3.6)	(3.9)	(3.9)
Headline earnings	14.6	14.6	11.5	11.5	12.7	12.7
Weighted average number of shares (m)						
Ordinary shares in issue	703.9	703.9	700.8	700.8	701.0	701.0
Own shares held	(0.6)	(0.6)	(1.0)	(1.0)	(0.6)	(0.6)
Dilutive contingently issuable shares and share options	-	10.5	-	5.5	-	10.0
	703.3	713.8	699.8	705.3	700.4	710.4
Headline Earnings per share (pence)	2.1p	2.0p	1.6p	1.6p	1.8p	1.8p

8 Investment properties

8a Wholly-owned properties

	Freehold investment properties	Leasehold investment properties	Total property assets
	£m	£m	£m
Cost or valuation			
At 30 December 2016	357.9	480.6	838.5
Acquired (The Exchange Centre, Ilford)	79.0	-	79.0
Capital expenditure	4.3	3.5	7.8
Valuation deficit ¹	(2.9)	1.8	(1.1)
At 30 June 2017	438.3	485.9	924.2

¹ £1.3 million per Note 3a includes letting fee amortisation adjustment of £0.2 million.

Acquisition of the Exchange Centre, Ilford

On 8 March 2017 the Group completed the acquisition of The Exchange Centre, Ilford from a Meyer Bergman fund for £78 million, reflecting a Net Initial Yield of 6.70%. Acquisitions costs were approximately £1 million. The acquisition, which comprised the purchase of a holding company that owns the property was funded from the Group's existing cash resources as well as through a new seven year debt facility of £39 million, secured on the asset, with DekaBank Deutsche Girozentrale.

8 Investment properties (continued)

8b Property assets summary

	30 June 2017		30 December 2016	
	100% £m	Group share £m	100% £m	Group share £m
Wholly-owned				
Investment properties at fair value	879.8	879.8	794.1	794.1
Head leases treated as finance leases on investment properties	61.4	61.4	61.3	61.3
Unamortised tenant incentives on investment properties	(17.0)	(17.0)	(16.9)	(16.9)
IFRS Property Value	924.2	924.2	838.5	838.5
Associates				
Investment properties at fair value	147.0	29.4	154.1	30.8
Unamortised tenant incentives on investment properties	(4.3)	(0.9)	(4.1)	(0.8)
IFRS Property Value	142.7	28.5	150.0	30.0
Total at property valuation	1,026.8	909.2	948.2	824.9
Total IFRS Property Value	1,066.9	952.7	988.5	868.5

8c Valuations

External valuations were carried out on all of the property assets detailed in the table above. The valuations at 30 June 2017 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.

9 Investment in associates and joint ventures

9a Share of results		Unaudited Six months to 30 June 2017 £m	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2016 £m
Share of results of associates	Note 9b	(1.1)	-	(1.5)
Share of results of joint ventures	Note 9c	-	1.9	1.8
		(1.1)	1.9	0.3

9b Investment in associates		Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2016 £m
At the start of the period		13.9	15.9
Share of results of associates	Note 9d	(1.1)	(1.5)
Dividends and capital distributions received		(0.2)	(0.5)
At the end of the period	Note 9d	12.6	13.9

The Group's only significant associate at 30 June 2017 and 30 December 2016 was its 20% interest in the Kingfisher Limited Partnership which owns the Kingfisher Shopping Centre in Redditch. The Group exercises significant influence through its representation on the General Partner board and through acting as the property and asset manager.

As detailed in Note 17 the Kingfisher Limited Partnership refinanced its debt on 7 July 2017. The Group's net investment in the Partnership is expected to reduce to approximately £7.8 million after allowing for its share of distributions and costs arising from this refinancing.

9c Investment in joint ventures		Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2016 £m
At the start of the period		-	11.7
Share of results of joint ventures	Note 9e	-	1.8
Reclassification of Buttermarket Centre, Ipswich as held for sale		-	(13.5)
At the end of the period	Note 9e	-	-

9 Investment in associates and joint ventures (continued)

9d Analysis of investment in associates

	Note	Other UK Shopping Centres £m	Unaudited Six months to 30 June 2017 Total £m	Unaudited Six months to 30 June 2016 Total £m	Audited Year to 30 December 2016 Total £m
Income statement (100%)					
Revenue – gross rent		5.6	5.6	5.8	11.5
Property and management expenses		(1.2)	(1.2)	(0.9)	(2.0)
Void costs		(0.5)	(0.5)	(0.4)	(1.0)
Net rent		3.9	3.9	4.5	8.5
Net interest payable		(1.7)	(1.7)	(2.0)	(3.8)
Contribution		2.2	2.2	2.5	4.7
Revaluation of investment properties		(7.4)	(7.4)	(1.2)	(11.8)
Fair value of interest rate swaps		0.4	0.4	(0.9)	(0.2)
Profit before tax		(4.8)	(4.8)	0.4	(7.3)
Tax		(0.4)	(0.4)	(0.5)	(0.7)
Profit after tax (100%)		(5.2)	(5.2)	(0.1)	(8.0)
Balance sheet (100%)					
Investment properties		142.7	142.7	159.4	150.0
Other assets		11.1	11.1	10.8	10.4
Current liabilities		(83.9)	(83.9)	(7.1)	(6.5)
Non-current liabilities		(6.1)	(6.1)	(85.1)	(84.0)
Net assets (100%)		63.8	63.8	78.0	69.9
Income statement (Group share)					
Revenue – gross rent		1.1	1.1	1.2	2.3
Property and management expenses		(0.3)	(0.3)	(0.2)	(0.4)
Void costs		(0.1)	(0.1)	(0.1)	(0.2)
Net rent		0.7	0.7	0.9	1.7
Net interest payable		(0.3)	(0.3)	(0.4)	(0.8)
Contribution		0.4	0.4	0.5	0.9
Revaluation of investment properties		(1.5)	(1.5)	(0.2)	(2.3)
Fair value of interest rate swaps		0.1	0.1	(0.2)	-
Profit before tax		(1.0)	(1.0)	0.1	(1.4)
Tax		(0.1)	(0.1)	(0.1)	(0.1)
Profit after tax (Group share)	9b	(1.1)	(1.1)	-	(1.5)
Balance sheet (Group share)					
Investment properties		28.5	28.5	31.9	30.0
Other assets		2.2	2.2	2.1	2.1
Current liabilities		(16.8)	(16.8)	(1.4)	(1.4)
Non-current liabilities		(1.3)	(1.3)	(17.0)	(16.8)
Net assets (Group share)	9b	12.6	12.6	15.6	13.9

9 Investment in associates and joint ventures (continued)

9e Analysis of investment in joint ventures

	Note	Other UK Shopping Centres £m	Unaudited Six months to 30 June 2017 Total £m	Unaudited Six months to 30 June 2016 ¹ Total £m	Audited Year to 30 December 2016 Total £m
Income statement (100%)					
Revenue – gross rent		-	-	0.8	2.2
Property and management expenses		-	-	(0.4)	(0.7)
Void costs		-	-	(0.3)	(0.6)
Net rent		-	-	0.1	0.9
Net interest payable		-	-	(0.3)	(0.3)
Contribution		-	-	(0.2)	0.6
Revaluation of investment properties		-	-	7.1	7.2
Profit on sale of investment properties		-	-	-	(2.9)
Fair value of interest rate swaps		-	-	-	(1.2)
Profit before tax		-	-	6.9	3.7
Tax		-	-	(3.2)	-
Profit after tax (100%)		-	-	3.7	3.7
Balance sheet (100%)					
Investment properties		-	-	43.1	-
Other assets		-	-	3.9	-
Current liabilities		-	-	(5.4)	-
Non-current liabilities		-	-	(14.6)	-
Net assets (100%)		-	-	27.0	-
Income statement (Group share)					
Revenue – gross rent		-	-	0.4	1.1
Property and management expenses		-	-	(0.2)	(0.3)
Void costs		-	-	(0.1)	(0.3)
Net rent		-	-	0.1	0.5
Net interest payable		-	-	(0.2)	(0.1)
Contribution		-	-	(0.1)	0.4
Revaluation of investment properties		-	-	3.6	3.5
Profit on sale of investment properties		-	-	-	(1.5)
Fair value of interest rate swaps		-	-	-	(0.6)
Profit before tax		-	-	3.5	1.8
Tax		-	-	(1.6)	-
Profit after tax (Group share)	9c	-	-	1.9	1.8
Balance sheet (Group share)					
Investment properties		-	-	21.6	-
Other assets		-	-	2.0	-
Current liabilities		-	-	(2.7)	-
Non-current liabilities		-	-	(7.3)	-
Net assets (Group share)	9c	-	-	13.6	-

¹ The Group's investment in Buttermarket Ipswich Limited was reclassified as held for sale at 30 December 2016. On reclassification Management assessed the fair value of its share of the investment to be £13.9 million with the associated costs to sell the entity expected to be £0.4 million and these amounts were shown on the balance sheet at year end.

10 Cash and cash equivalents

	Unaudited 30 June 2017 £m	Audited 30 December 2016 £m
Cash at bank	25.3	45.8
Security disposals held in rent accounts	0.8	0.7
Other restricted balances	5.0	2.6
Total cash and cash equivalents	31.1	49.1

11 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 that were not waived under any of the Group borrowings during the current year or the preceding year.

	30 June 2017	30 December 2016
	£m	£m
Borrowings at amortised cost		
Secured		
Fixed and swapped bank loans	428.4	260.2
Variable rate bank loans	-	101.3
Total secured borrowings before costs	428.4	361.5
Unamortised issue costs	(6.2)	(0.7)
Total borrowings after costs	422.2	360.8
Analysis of total borrowings after costs		
Current	-	334.6
Non-current	422.2	26.2
Total borrowings after costs	422.2	360.8

During the period £39.0 million of new debt was drawn in respect of the acquisition of The Exchange, Ilford, and £362.5 million in respect of the refinancing of the Mall assets completed on 4 January 2017. See note 17a of the financial statements for the year ended 30 December 2016 for further details.

The fair value of total borrowings before costs as at 30 June 2017 was £429.0 million (30 December 2016: £363.9 million).

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 the financial statements for the year ended 30 December 2016. There were no transfers between Levels in the year.

	30 June 2017	30 December 2016
	£m	£m
Interest rate caps	-	0.1
Interest rate swaps	(1.5)	(2.1)
Foreign exchange forward contracts	-	-
	(1.5)	(2.0)

12 Notes to the cash flow statement

	Unaudited Six months to 30 June 2017	Unaudited Six months to 30 June 2016	Audited Year to 30 December 2016
	£m	£m	£m
Profit/(loss) for the period	12.1	7.2	(4.4)
Adjusted for:			
Finance income	(0.8)	(0.2)	(0.4)
Finance expense	9.1	11.6	33.0
Income tax credit	-	-	(0.1)
Loss on revaluation of wholly-owned properties	1.3	10.3	14.2
Share of loss/(profit) in associates and joint ventures	1.1	(1.9)	(0.3)
Other gains and losses	(0.3)	(4.4)	1.8
Depreciation of other fixed assets	0.1	0.2	0.1
(Increase)/Decrease in receivables	(5.2)	0.1	(0.1)
Increase/(Decrease) in payables	2.0	(1.7)	(3.2)
Non-cash movement relating to share-based payments	0.4	0.3	0.5
Net cash from operations	19.8	21.5	41.1

13 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 2017			Unaudited 30 June 2016	Audited 30 December 2016
	Net assets £m	Number of shares million	Net assets per share £	Net assets per share £	Net assets per share £
Basic net assets	481.1	708.5	0.68	0.71	0.68
Own shares held		(0.6)			
Dilutive contingently issuable shares and share options		10.5			
Fair value of fixed rate loans (net of tax)	(0.6)				
EPRA triple net assets	480.5	718.4	0.67	0.69	0.67
Exclude fair value of fixed rate loans (net of tax)	0.6				
Exclude fair value of see-through interest rate derivatives	1.9				
Exclude deferred tax on unrealised gains/capital allowances	(0.1)				
EPRA net assets	482.9	718.4	0.67	0.71	0.68

The number of Ordinary shares issued and fully paid at 30 June 2017 was 708,477,735 (30 December 2016: 702,342,500, 30 June 2016: 700,752,626). There have been no changes to the number of shares from 30 June 2017 to the date of this announcement.

14 Return on equity

	Unaudited Six months to 30 June 2017 £m	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2016 £m
Total comprehensive income attributable to equity shareholders	12.1	7.2	(4.4)
Opening equity shareholders' funds	477.6	503.2	503.4
Return on equity	2.5%	1.4%	(0.9)%

15 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 2016, except for:

Distributions received from related parties

During the period, the Group received cash distributions of £0.2 million from related parties as disclosed in notes 9b.

Management fee income from related parties

During the period, the Group received management fee income in the normal course of business of £0.3 million from related parties.

16 Dividends

	Unaudited Six months to 30 June 2017 £m	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2016 £m
Final dividend per share for year ended 30 December 2015 of 1.62p	-	11.3	11.3
Interim dividend per share for year ended 30 December 2016 of 1.62p	-	-	11.4
Final dividend per share for year ended 30 December 2016 of 1.77p	12.4	-	-
Amounts recognised as distributions to equity holders in the period	12.4	11.3	22.7
Interim dividend per share for year ended 30 December 2017 of 1.73p ¹	12.3	-	-

¹ 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.

The Company issued 6,135,235 new ordinary shares on 16 May 2017 to shareholders who elected to receive their 2016 final dividend in shares under the Company's Scrip dividend scheme. The value of the Scrip shares was calculated in accordance with the scheme rules at 56.48 pence. As a result the Company's share capital increased by £61,352 and share premium by £3,403,828.

17 Events after the balance sheet date

On 7 July 2017 the Kingfisher Limited Partnership refinanced its existing debt with a new £113 million package. The Group has a 20% interest in the Partnership which owns the Kingfisher Redditch shopping centre. Part of the new financing is being used to fund a distribution to the joint venture partners. The Group's share is expected to be around £4.6 million. The Group's net investment in the Kingfisher Limited Partnership is expected to be approximately £7.8 million after allowing for the distribution and its share of refinancing costs.

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 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.

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.

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.

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

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

Capital return is the change in 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.

Debt is borrowings, excluding unamortised issue costs.

Dividend pay-out is the ratio of dividend per share to Adjusted Earnings per share.

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.

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

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

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

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

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

Occupancy cost ratio 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.

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.

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

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

Temporary lettings are those lettings for one year or less.

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 SAYE schemes which are spread over the performance period.

EPRA performance measures

	30 June 2017	30 June 2016	30 December 2016
EPRA earnings (£m)	14.0	13.4	26.2
EPRA earnings per share (diluted)	2.0p	1.9p	3.7p
EPRA net assets (£m)	482.9	502.6	481.5
EPRA net assets per share	67p	71p	68p
EPRA triple net assets (£m)	480.5	489.3	475.2
EPRA triple net assets per share	67p	69p	67p

EPRA Cost ratios

	30 June 2017	30 June 2016	30 December 2016
	£m	£m	£m
Cost of sales (adjusted for IFRS head lease differential)	16.8	16.4	33.0
Administrative costs	4.8	5.2	10.9
Service charge income	(7.1)	(7.2)	(14.0)
Management fees	(0.4)	(0.5)	(1.0)
Snozone (indoor ski operation) costs	(4.5)	(4.4)	(8.8)
Share of joint venture & associate expenses	0.4	0.5	1.2
Less inclusive lease costs recovered through rent	(0.9)	(1.0)	(1.9)
EPRA costs (including direct vacancy costs)	9.1	9.0	19.4
Direct vacancy costs	(1.6)	(1.2)	(2.9)
EPRA costs (excluding direct vacancy costs)	7.5	7.8	16.5
Gross rental income	30.9	30.8	62.0
Less ground rent costs	(1.5)	(1.6)	(3.1)
Share of joint venture & associate gross rental income less ground rent costs	1.1	1.5	3.4
Less inclusive lease costs recovered through rent	(0.9)	(1.0)	(1.9)
Gross rental income	29.6	29.7	60.4
EPRA cost ratio (including direct vacancy costs)	30.7%	30.3%	32.2%
EPRA cost ratio (excluding vacancy costs)	25.3%	26.4%	27.4%

Wholly-owned assets portfolio information

At 30 June 2017

Physical data

Number of properties	7
Number of lettable units	769
Lettable space (sq feet – million)	4.2

Valuation data

Properties at independent valuation (£m)	879.8
Adjustments for head leases and tenant incentives (£m)	44.4
Properties as shown in the financial statements (£m)	924.2

Initial yield (%)	6.0
Equivalent yield (%)	6.3
Reversion (%)	13.0
Loan to value ratio (%)	49
Net debt to value ratio (%)	46

Lease length (years)

Weighted average lease length to break (years)	6.4
Weighted average lease length to expiry (years)	7.7

Passing rent (£m) of leases expiring in:

Six months to 30 December 2017	8.4
Year to 30 December 2018	3.2
Three years to 30 December 2021	14.3

ERV (£m) of leases expiring in:

Six months to 30 December 2017	8.3
Year to 30 December 2018	3.7
Three years to 30 December 2021	15.6

Passing rent (£m) subject to review in:

Six months to 30 December 2017	5.4
Year to 30 December 2018	3.0
Three years to 30 December 2021	9.6

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

Six months to 30 December 2017	5.2
Year to 30 December 2018	3.0
Three years to 30 December 2021	10.6

Rental Data

Contracted rent at period end (£m)	63.8
Passing rent at period end (£m)	59.9
ERV at period end (£m per annum)	67.6
Occupancy rate (%)	95.5
