CAPITAL & REGIONAL

ANNUAL REPORT AND ACCOUNTS

for the year ended 30 December 2018

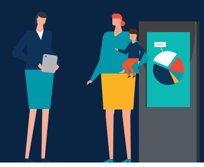
WELCOME TO THE CAPITAL & REGIONAL ANNUAL REPORT 2018

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 their local communities.

It has a strong track record of delivering value enhancing retail and leisure asset management opportunities across a c. £0.9 billion portfolio of tailored in-town community 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. Capital & Regional manages these assets through its in-house expert property and asset management platform.

For further information see **www.capreg.com**.



OUR VALUES

INSPIRING CREATIVE THINKING

ENCOURAGING COLLABORATIVE ENGAGEMENT

ACTING WITH INTEGRITY

DELIVERING DYNAMIC SOLUTIONS

OUR STRATEGY

REDEFINE

COMMUNITY SHOPPING CENTRES

Redefine and own the Community shopping centre category in the UK, consistent with global best practice

REPOSITION

ASSETS AND RETAIL MIX

Actively remerchandise centres to increase exposure to growth and online resilient categories and differentiate from competition. Tailored to community requirements with focus on local, value, relevance, quality and total experience

REFOCUS

MANAGEMENT TEAM

Agile management, data driven, decentralised to accelerate decision making and delivery

ENHANCE

SHAREHOLDER VALUE

Right offer driving footfall, dwell time and ultimately retailer sales, C&R income and shareholder returns

HIGHLIGHTS

NET RENTAL INCOME
+£0.3m +0.6%

2018	£51.9m
2017	£51.6m

ADJUSTED PROFIT[1]
+£1.4m +4.8%

2018	£30.5m
2017	£29.1m

ADJUSTED EARNINGS PER SHARE[1]
+0.13 +3.2%

2018	4.23p
2017	4.10p

IFRS PROFIT/(LOSS) FOR THE PERIOD

2018	£(25.6)m
2017	£22.4m

TOTAL DIVIDEND PER SHARE
-1.22p -33.5%

2018	2.42p
2017	3.64p

NET ASSET VALUE (NAV) PER SHARE
-7p -11%

2018	60p
2017	67p

EPRA NAV PER SHARE
-8p -12%

2018	59p
2017	67p

GROUP NET DEBT
+£7.1m +1.8%

2018	£411.1m
2017	£404.0m

NET DEBT TO PROPERTY VALUE
+2 pps

2018	48%
2017	46%

Notes
All metrics are for wholly-owned portfolio unless otherwise stated.
[1] 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 9 to the financial statements.

CONTENTS

STRATEGIC REPORT

GOVERNANCE

FINANCIALS

C&R

For further information see CAPREG.COM

OUR PORTFOLIO

WHOLLY OWNED ASSETS

The Mall, Blackburn
- Leasehold covered shopping centre on three floors
- 600,000 sq ft
- 122 lettable units

Principal occupiers:
Primark, Debenhams, H&M, Next, Wilko, Pure Gym

The Marlowes, Hemel Hempstead
- Freehold covered shopping centre and high street parades
- 350,000 sq ft
- 109 lettable units

Principal occupiers:
Wilko, New Look, Sports Direct, River Island

The Exchange, Ilford
- Predominantly freehold covered shopping centre on three floors
- 300,000 sq ft
- 79 lettable units

Principal occupiers:
Debenhams, Next, H&M, TK Maxx, M&S

The Mall, Luton
- Leasehold covered shopping centre on two floors, with over 65,000 sq ft of offices
- 900,000 sq ft
- 170 lettable units

Principal occupiers:
Primark, Debenhams, H&M, TK Maxx, Wilko, Luton Borough Council

The Mall, Maidstone
- Freehold covered shopping centre on three floors with over 40,000 sq ft of offices
- 500,000 sq ft
- 107 lettable units

Principal occupiers:
TJ Hughes, Boots, Sports Direct, Wilko, Next, Iceland, Maidstone Borough Council

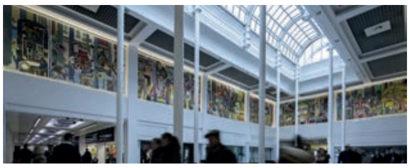
The Mall, Walthamstow
- Leasehold covered shopping centre on two floors
- 260,000 sq ft
- 69 lettable units

Principal occupiers:
TK Maxx, Sports Direct, Lidl, Asda, Boots, The Gym

The Mall, Wood Green
- Freehold partially open shopping centre on two floors
- 540,000 sq ft
- 109 lettable units

Principal occupiers:
Primark, Wilko, H&M, Boots, TK Maxx, Travelodge, Cineworld

OTHER INTERESTS



Kingfisher Shopping Centre, Redditch
- C&R owns 12% in JV and acts as Property & Asset Manager
- Freehold covered shopping centre on two principal trading levels
- 900,000 sq ft
- 174 lettable units

Principal occupiers:
Vue Cinema, H&M, The Range, Primark, Next, Debenhams, TK Maxx

Snozone Leisure Business
- 100% subsidiary
- Largest indoor ski slope operator in the UK
- Operating at Milton Keynes, Castleford and a dry indoor slope in Basingstoke
- In existence since 2000 and has taught over 2 million people to ski or snowboard

KEY CHARACTERISTICS ABOUT OUR MALLS

High footfall -
78.8m shopper visits per year

Scale and dominance of retail offer

Strong and improving demographics

London/ South-East bias

Convenience – town centre locations

Extensive accretive asset management opportunities (including leisure, residential and office)

Affordable rents
- Average rent c. £15 psf
- Occupancy cost ratio of c. 12.6%

CHAIRMAN'S STATEMENT

"I AM PLEASED TO REPORT AN INCREASE OF 4.8 PERCENT IN ADJUSTED PROFIT TO £30.5 MILLION FROM £29.1 MILLION. IT IS A STRONG ENDORSEMENT OF THE STRATEGY."

HUGH SCOTT-BARRETT
CHAIRMAN

I am pleased to report an increase of 4.8 per cent in Adjusted Profit to £30.5 million from £29.1 million. This increase in underlying profitability has been achieved notwithstanding the headwinds from both structural change in the retail sector and weakening consumer sentiment. It is a strong endorsement of the strategy that the Company has been pursuing and is underpinned by robust operating and financial key performance indicators. Footfall continues to grow, outperforming the relevant national index, while net rental income has proven to be very resilient, in spite of a steady flow of retailer failures, reflecting the affordability and appeal of our assets to retailers and our team's asset management expertise.

While our operating metrics were positive, the impact of lower property valuations largely driven by negative sentiment towards regional retail assets, partially offset by positive valuation gains achieved across our London portfolio, led to a loss for the year of £25.6 million (December 2017: profit of £22.4 million).

STRATEGY

Market conditions in the retail sector have provided a uniquely challenging backdrop to the implementation of group strategy. The asset management team has energetically focused on the repositioning of the Company's convenience-based community shopping centre portfolio, leading to tangible improvements in performance at those centres where the process is most advanced. Considerable progress has been made on the remerchandising of schemes with a focus on those occupiers which directly respond to the needs of the local community, embrace omni-channel retailing, or those that are most resilient to the continuing growth in online shopping. The Group has not been immune to CVAs and retailer restructurings with 20 of these impacting NRI by approximately £1.5 million (2.9%) over the whole year. However, our rebased rents, which average £15 per sq ft, in combination with capital values below replacement cost, do give us flexibility in diversifying our tenant base.

Our ability to invest in accretive capital expenditure initiatives has been critical to achieving these outcomes. During the course of the year we have invested £18.5 million in asset management initiatives, including the refurbishment of the previously vacant Arndale House office space in Luton; the delivery of the new Family Zone in Ilford; providing a new façade at the Fareham House high street block in Hemel Hempstead and upgrading guest facilities at Hemel Hempstead, Ilford and Wood Green. There is a pipeline of very exciting initiatives across the portfolio but with particular focus on Hemel Hempstead; Ilford and Walthamstow. The Board takes a very active role in reviewing these projects. Its aim is to ensure that the Company engages openly and transparently with all stakeholders in the development and roll-out of the plans. It also aims to ensure that the speed of investment is carefully balanced with the need for prudent balance sheet management.

RESPONSIBLE BUSINESS

Our commitment to running our business responsibly underpins the way we operate and is an integral part of

who we are and what we do. In 2018, we retained our ROSPA Gold Award for the 12th consecutive year and continue to focus efforts to reduce energy and water consumption and increase waste diversion to recycling across our centres.

Community engagement remains at the heart of our business. In 2018, through C&R Cares, £340,000 was raised for local charities chosen by our staff and our centres supported events throughout the year that encouraged inclusivity and openness, including Purple Tuesday, a national campaign to provide an accessible shopping day, established to recognise the importance and needs of disabled consumers and promote inclusive shopping.

C&R is one of the headline sponsors for London's Borough of Culture in 2019. Waltham Forest is the first ever London Borough of Culture, giving the local community the chance to experience world-class cultural experiences on their doorstep.

DIVIDEND

The Board is recommending a final dividend of 0.60 pence per share, taking the full-year dividend to 2.42 pence per share. This represents a decrease of 33.5 per cent over the 2017 full-year dividend of 3.64 per share.

The Company has been actively exploring financing options to underpin its capex plans. The Board is conscious of the guidance it had previously given to grow dividend by between 5 and 8 per cent per annum but has concluded that adjusting the dividend and agreeing a new capex facility for the Hemel Hempstead loan, to support the cinema development, along with increased headroom on the rebased Revolving Credit Facility is the best option for the Company at this point in time given current uncertainties in occupational and investment markets. The cash preserved will assist in mitigating leverage and maintain investment in the Company's capital expenditure initiatives, which in the longer term are expected to support earnings growth.

The proposed dividend, together with the interim dividend paid in October 2018, substantially fulfils the Group's UK REIT obligations for the 2018 financial year. Dividends for the short to medium term are expected to be set at around the same level (2.42 pence per share per annum), subject to material retailer administrations and the Board's intention to meet its minimum REIT distribution requirements.

PEOPLE

Ensuring our people are supported, motivated and engaged is key to our success. In 2018, we achieved a 93 per cent participation rate in our C&R Pulse Staff Engagement survey and the feedback received scored strongly against external benchmarks and previous survey responses. During visits to our centres and support office, C&R's culture of innovation and agility, where we act as one team and are held accountable, is clearly evident in the way the teams work and support each other. I would like to thank all our staff for their hard work and dedication during what has been an exciting but demanding year for the business.

BOARD

Guillaume Poitrinal stepped down as a Non-Executive Director in October 2018. His knowledge of the retail sector has been hugely valuable in shaping the Board's discussions over the last two years and I would like to thank him for his contribution.

I would also like to thank Charles Staveley, who stepped down as an Executive Director in August 2018 after ten years as Group Finance Director. Charles played a key role in the restructuring and reshaping of C&R over this period.

Stuart Wetherly was appointed as Group Finance Director on 11 March 2019. Having spent much of his career at Capital & Regional, Stuart is more than qualified for this role and is deeply familiar with our operations and strategy. He is uniquely placed to help the Board and management carry the Company forward and we are pleased to be able to formalise his role.

I agreed to take on the role of Non-Executive Chairman from June 2017 to ensure continuity at a time of significant change for the Board and the transition to Lawrence Hutchings as Chief Executive. Now that this transition is complete, I have decided it is time to seek my successor. A recruitment process, led by our Senior Independent Director Tony Hales, will begin following the Annual General Meeting in May 2019 and I will step down in due course, once my successor is appointed.

HUGH SCOTT-BARRETT
CHAIRMAN

THE RETAIL BACKDROP

THE CONTINUING EVOLUTION OF RETAIL

- FURTHER GROWTH OF ONLINE AND OMNI-CHANNEL RETAILING
- CLICK AND COLLECT DRIVES CENTRE FOOTFALL AND SPEND
- EVOLVING ROLE OF THE STORE
- DIVERSIFICATION OF RETAIL SPACE

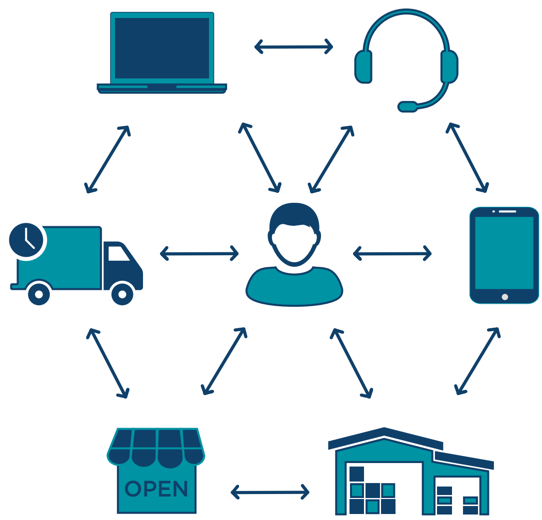
POLARISATION

Retail continues to polarise between discretionary "wants" and non-discretionary everyday essential "needs". Consumers differentiate their shopping trips accordingly, with retailing destinations needing to align clearly to these distinct shopping trips. Our community centres provide a clearly defined focus in satisfying the everyday needs of our communities, in engaging and stimulating environments

OMNI-CHANNEL EVOLUTION

Traditional retail has evolved from simple bricks and clicks to deeper and more co-ordinated cross-channel integration. Shoppers increasingly demand speed and optionality in how and where they purchase and expect limited friction in purchase and returns fulfilment.

Physical stores continue to provide a central role in the omni-channel retailing environment, providing a crucial intersection between products and people. Our community centres, in well connected, easily accessed town centre locations, are ideally positioned to meet the modern consumers' needs.

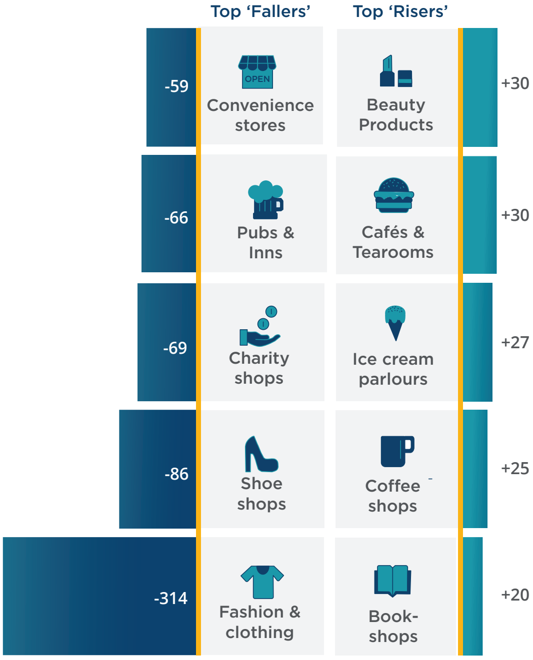


RETAILER EVOLUTION

Online penetration is continuing to influence tenant mix with the impact felt most clearly by discretionary "wants" based retailers, whose store portfolios are rationalising, particularly across the fashion sector.

Non-discretionary "needs-based" retailing remains more resilient to this change. Retailers at this end of the retail spectrum continue to predominantly fulfil their customers everyday needs directly from store, with limited online integration. Our convenient and strategically located community centres provide an essential platform in the fulfilment of these shoppers' everyday needs.

Net change in store number by retail and leisure business type in 2017

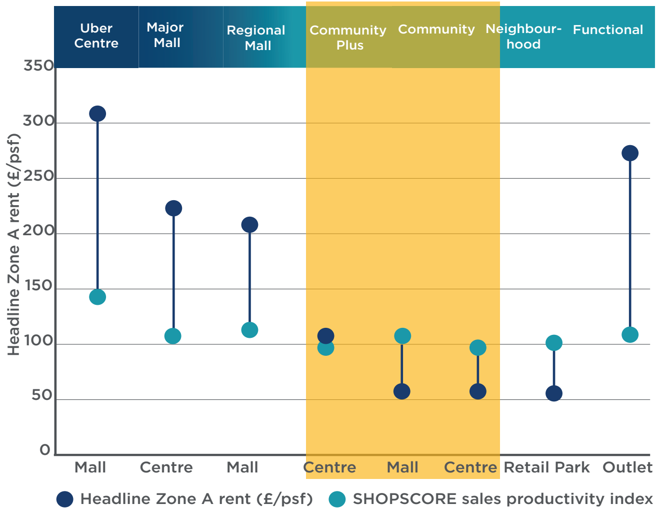


Source: Local Data Company

COMMUNITY FUNDAMENTALS

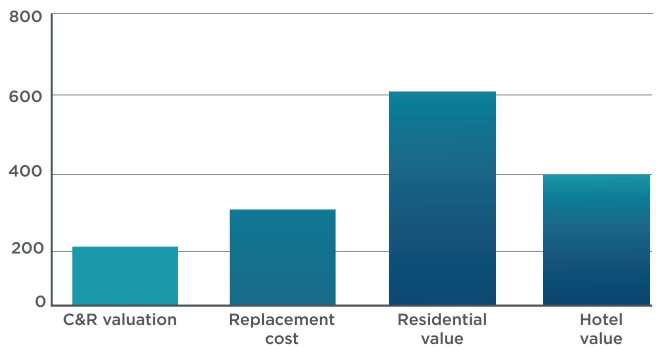
With growing trends in localism, our community assets provide wide-ranging opportunities to drive performance and growth.

Community centres represent the engine room for retailer profitability, with the mix of affordable occupancy costs (illustrated by Zone A rents), attractive productivity levels and high footfall driving profitability.



Source: Javelin Group/SHOPSCORE

With rentals averaging £15 per sq ft, our centres offer flexibility to profitably remerchandise space, providing the opportunity in so doing to evolve and broaden our offer to our growing community populations.



OUR STRATEGY

1. REDEFINE

Community shopping centres

Redefine and own the Community shopping centre category in the UK, consistent with global best practice

OVERVIEW

We define and assess our community shopping centre offer across three key aspects:

- Physical attributes – including the location, size and dominance of the centre and its accessibility in terms of local transport links and parking provision
- Products and services – including the retail mix, the provision of grocery, leisure and services offerings and the quality of facilities
- Differentiation – being the ways in which a centre stands out as more than just a retail destination, including the strength of community links, how well tailored the offer is to the locality, how it contributes and measures on sustainability and in being a local employer of choice.

PROGRESS

In 2018 REVO committed to reclassifying the UK Shopping Centre/ Retail Property classification to include the Community Shopping Centre classification.

Following an extensive industry consultation, a new draft categorisation was launched, split into three broad categories and further subcategories:

- Regional
- Local
  - Community centre
  - Neighbourhood centre
  - Convenience centre
- Specialised

FUTURE FOCUS

Further refinement of the classification definitions is expected as the new terminology becomes more widely utilised.

Encouraging the industry to then fully adopt and embed the new categorisations will be an ongoing process requiring continued focus to move away from outdated terminology.

2. REPOSITION

Assets and retail mix

Actively re-merchandise centres to increase exposure to growth and online resilient categories and differentiate from competition. Tailored to community requirements with focus on local, value, relevance, quality and total experience

OVERVIEW

We believe retailers and communities are clear in their expectations for what they want to see from their Community Centres with a strong mix of everyday essentials including:

- Grocery, pharmacy and general merchandise;
- Catering options covering express food, great coffee and casual dining;
- Personal services including health, beauty, dry cleaners, shoe repairs; and
- Everyday value fashion, leisure and children's wear.

All need to be tailored to the specific community's needs and aspirations.

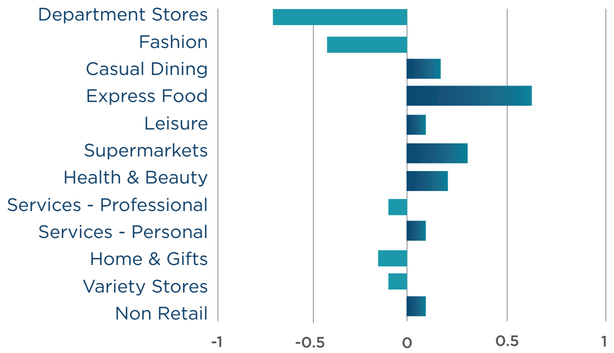
This needs to be supported with exceptional centre services, for example parents' parking, change facilities and kids' play. We are competing for our guests' time against other physical destinations and online options so making the experience as convenient and pleasurable as possible is critical. We believe when we get this proposition right, when it is highly relevant to the community, then we drive footfall and dwell time, which drives retailers' sales.

PROGRESS

We have established asset masterplans for every centre, informed by research and data insights. These masterplans provide the strategic direction for each asset, directing capital investment and leasing decisions in delivering the optimal community mix and offer.

Throughout 2018, we have proactively remerchandised to a needs-based, non-discretionary offer that is most relevant to our communities' needs and most resilient to structural changes in retail.

Change of use over 24 months to 31 December 2018



In 2018 we invested £18.5 million in capex across our portfolio. Our capex programme is helping to maintain leasing momentum, retain engagement with our core occupiers and help attract new occupiers and guests to our centres. We have seen the strongest operational results where our strategy is most advanced.

Our capex projects are largely designed to enable swift delivery and maximise impact. Typically delivered over six - nine month programmes, we can deploy projects with agility to follow customer needs and trends.

FUTURE FOCUS

We have identified over 30 potential projects representing around £80 million through our asset masterplans.

Projects include cinemas, leisure, grab-and-go, amenities, family and ambiance, building on the successes and learnings of our investment to date.

These are in addition to the residential, hotel and other development opportunities that exist above or adjacent to our centres, which we continue to progress in dialogue with local councils and potential specialist development partners.

OUR STRATEGY

CONTINUED

3. REFOCUS

Management team

Agile management, data driven, decentralised to accelerate decision making and delivery

OVERVIEW

We have refocused our business and resources with a revised management platform and operational structure that puts our centres at the heart of what we do, facilitating accelerated responsiveness and optimal decision making in the delivery and execution of our masterplan-led community strategy.

PROGRESS

In 2018 we completed the restructuring of our management platform. We believe masterplanning is a collaborative process and our decentralised management platform puts our General Managers at the heart of our business where they live and breathe our local communities every day. They are best placed to drive the business forward, ensuring our decisions are tailored to provide the right solutions for the community, with support and professional advice from key functions within C&R's Support Office.

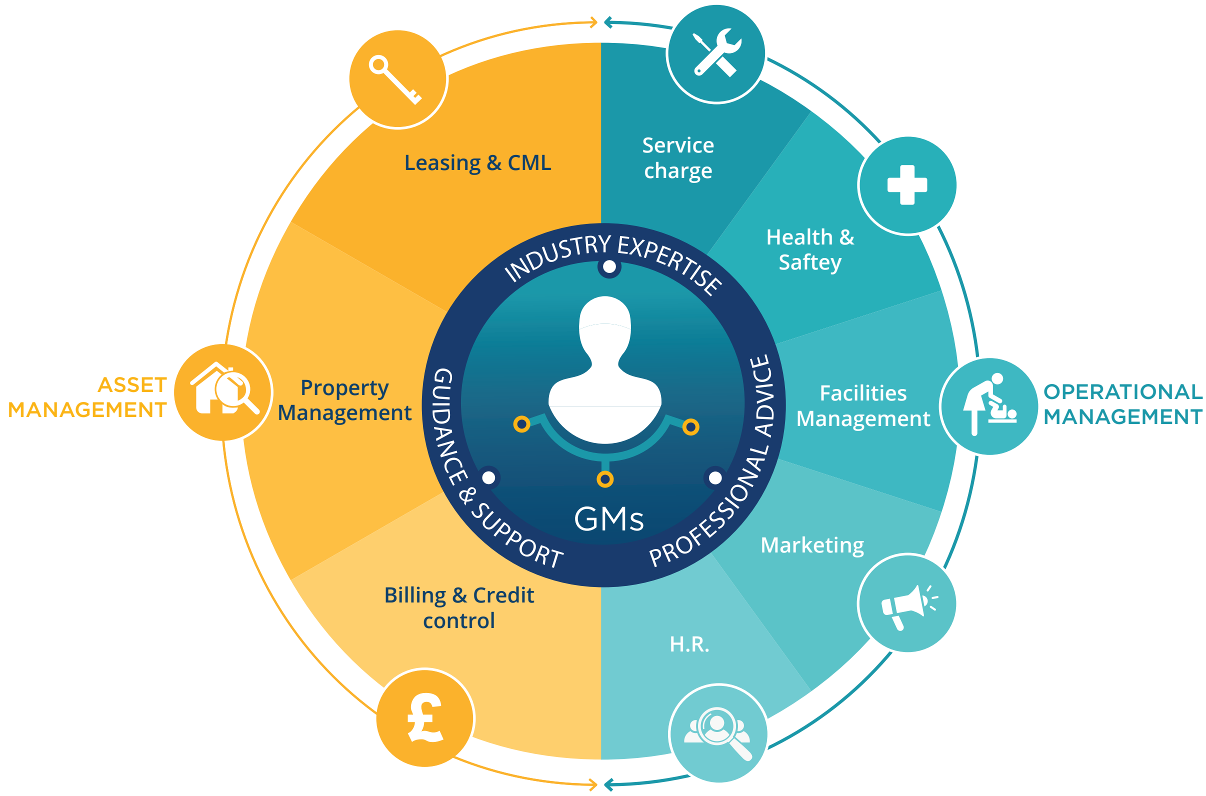
We have invested in and repositioned our Support Office team functions, to align the specialist skills most effective to delivering our strategic aims at our centres. Our support structure is focused on delivering at pace and with agility, capable of acting and adapting swiftly to the opportunities and challenges that arise.

We have been flexible in our resourcing approach, matching talent to specific requirements as and when required. In an environment where the community centre is increasingly embracing a range of different occupier uses, ensuring that our management platform and skill base is tailored to deliver effectively is crucial.

FUTURE FOCUS

With the structural shifts we are seeing in retail and the diverse changes and growth we are experiencing in our town centres, it is essential our management platform retains agility and flexibility to adapt.

Data insight and research will continue to inform strategy and operational delivery decisions. Through that insight we will continue to shape and evolve our management platform to provide aligned and appropriately resourced expertise in the right areas, at all times, to deliver strategy at pace.



4. ENHANCE

Shareholder value

Right offer driving footfall, dwell time and ultimately retailer sales, C&R income and shareholder returns

OVERVIEW

The right offer drives footfall and dwell time, boosting retailer sales and ultimately letting tension, improving rental income, property values and consequently C&R revenue and shareholder returns.

PROGRESS

The results we have seen in 2018 from our masterplan-led capex investment reinforces our confidence in our strategy and the importance of continued disciplined investment to drive performance.

FUTURE FOCUS

Continued capex investment is critical to the delivery of our community shopping centre strategy and the acceleration of the programme is fundamental to driving income growth. This will position C&R well to proactively respond as markets stabilise.

Adjusting the dividend will assist in mitigating leverage and maintain capex investment, which in the longer term is expected to support earnings growth.

See Managing Risks on page 26

STRATEGY IN ACTION

LUTON

INCREASING COMMUNITY CONNECTIONS

In February 2018 we announced the leasing of 52,000 sq ft of previously vacant office space above the centre at The Mall, Luton to Luton Borough Council. Three floors had been vacant since 2008 and the final two since 2013.

A full refurbishment was undertaken, including a new reception area directly accessed from the shopping centre. The letting enabled Luton Borough Council to consolidate a number of public sector uses into one location under its One Public Estate strategy.

Floor one opened in May 2018 as an NHS Community Hub employing 80 hospital staff. Floor two opened in October 2018 as Luton Adult Learning and floor three now provides office space for the Care Quality Commission (CQC) team alongside other Luton Borough Council departments.

Since opening, visitor numbers to Arndale House have steadily grown as services have expanded and we are currently averaging 850 visitors per day. This is a clear example of our strategy to introduce new uses into the town centre to create a community hub tailored for the people who live and work in the town, while driving footfall and new visitors to the centre. The initiative also demonstrates our collaborative working with the council to cultivate Luton into a thriving community.

OUR BUSINESS MODEL

Our core strength is acquiring, enhancing and managing community shopping centres.

With our expert team, our strong retailer relationships and our extensive community connections, we seek to generate sustainable income and capital value growth by combining active asset management with operational excellence.

Our approach is summarised below. 2018 saw subdued investment market activity, with transaction volumes at record lows, with limited investment opportunities. Our focus has been on repositioning and remerchandising our existing portfolio. Our scale has advantages as it enables us to be agile and respond more quickly to the changes taking place in retail. Ownership of UK community retail is fragmented and we believe that there are opportunities and benefits in the aggregation and consolidation of the ownership and management of these venues. As the cyclical pressures abate coupled with an understanding of the continued critical role that physical stores have in the sale and distribution of goods and services, our assets and management expertise will afford C&R an exciting opportunity as a potential consolidator of UK community and mixed use retail assets in the UK.

IDENTIFY ASSETS

Assets that typically meet our potential investment criteria are those that are underperforming in their catchment but have significant asset management opportunities. Wherever possible we will leverage our deep industry relationships to secure off-market transactions.

REPOSITION AND RE-MERCHANDISE

Our approach to managing centres is summarised as follows:

Understand full catchment potential
Research/benchmarking, input from Centre teams, engagement with retailers and local communities.

Assess product offering against local community needs and expectations
Identify any gaps in offer or amenities.

Execution
Engage specialist teams to ensure accelerated delivery with focus on optimal performance.

Establish strategic asset master plans
Comprehensive three to five year repositioning plans for each centre profiling capex spend and evolution of tenant mix. Regularly reviewed in a continual process to ensure ongoing relevance and that assets continue to meet guests' expectations as they evolve over time.

Review and refine
Post implementation reviews to inform future decision making, respond quickly to changes.

THE RESULT

- Attractive retail and leisure environment
- Improved guest experience
- Increased footfall and spend

Driving retailer sales, letting tension, and income and capital value growth.

Each asset is held in order to generate sustainable income growth. When asset masterplans have been successfully executed and future returns are expected to become less accretive we actively seek opportunities to recycle capital to allow us to reinvest into assets with greater growth potential.

OUR VALUES

INSPIRING CREATIVE THINKING

DELIVERING DYNAMIC SOLUTIONS

ACTING WITH INTEGRITY

ENCOURAGING COLLABORATIVE ENGAGEMENT

STRATEGY IN ACTION

ILFORD

A TAILORED APPROACH

When C&R acquired the scheme in March 2017, there were long-term void units, a confused merchandising mix, and an environment that was cold and sterile. Extensive research was carried out with both shoppers and retailer tenants, identifying a number of areas where the centre could be developed to provide a better experience.

The borough of Redbridge has 40% more families than the UK average and work was focused on improving facilities and retail mix for this key guest segment. Improved parent and baby rooms, wayfinding, toilets, family parking and pause points were introduced, along with a temporary soft play area, while the lower ground floor was being reconfigured into a dedicated family zone.

The new family zone includes a 118 sq m interactive 'Wild Cubs' kids play area - the first of its kind in the UK - which provides a safe and educational space for children to slide, crawl and climb through, while parents can take a break and look on as their kids explore. An interactive LED lighting system responds to human touch with changing colour, brightness and patterns, and an immersive art panel for painting, drawing and puzzles, all of which contribute to a state-of-the-art facility. Ambience improvements were also completed to create a warm, inviting and stimulating zone to encourage our guests to spend time and interact.

In September we launched the second set of family facilities, including a gold-award winning Changing Place Facility, enhanced accessible toilets that meet the needs of people with profound learning and physical disabilities. A new Guest Lounge has also been created providing Click and Collect services together with changing room facilities. The reconfigured family zone area has allowed Costa Coffee to be relocated next to the play area, we have relocated independent retailer Kidz Zone into an adjacent unit, and to further enhance the family zone The Entertainer will be opening a new store in 2019 from a unit that has previously been vacant for a number of years.

Delivering results

- Footfall increased +4.1% vs the national index of -4.8%, in the 5 weeks following the launch of new guest facilities
- Footfall +1.4% in 2018 vs 2017, compared to national index of -3.5%

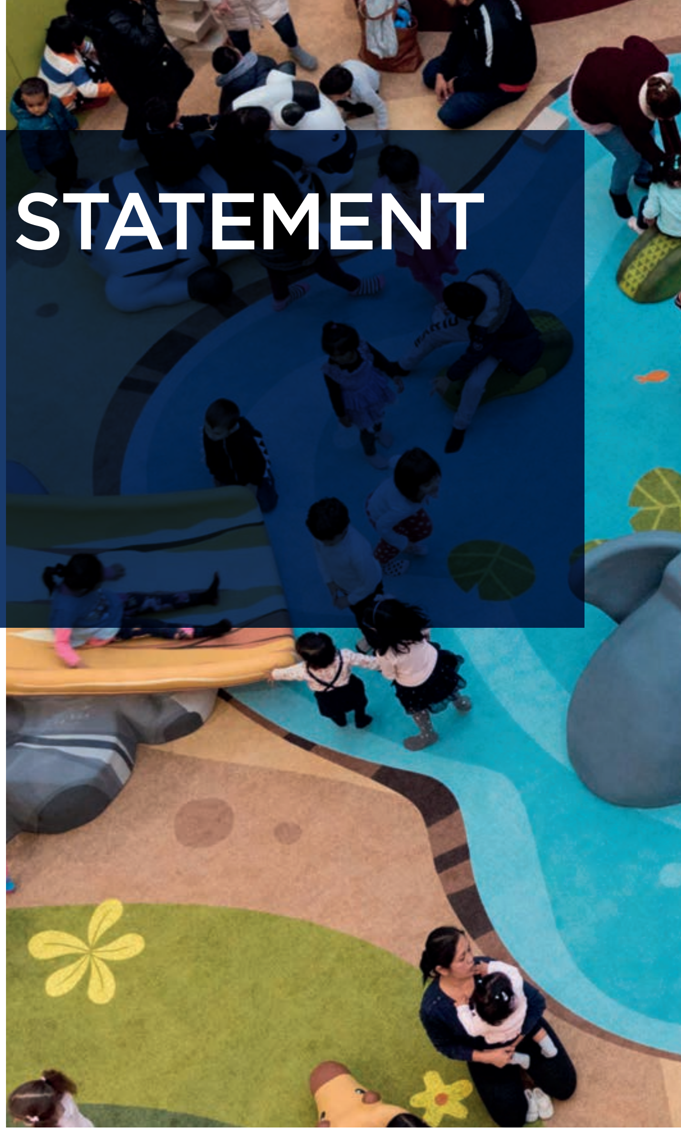
KEY PERFORMANCE INDICATORS

KPI	Why we use this as an indicator	Performance
Adjusted Profit[1]	Adjusted Profit seeks to track the recurring profits of the business which is the key driver for dividend payments.	2018 £30.5m 2017 £29.1m
Adjusted Profit[1] **per share**		2018 4.2p 2017 4.1p
Dividend per share	This is the cash return to be delivered to investors in respect of the year under review.	2018 2.42p 2017 3.64p
EPRA net assets per share	This is a measure of the movement in the underlying value of assets and liabilities underpinning the value of a share.	2018 59p 2017 67p
Net debt to property value	We aim to manage our balance sheet effectively with the appropriate level of gearing.	2018 48% 2017 46%
Net rental income	This is the key driver of Adjusted Profit.	2018 £51.9m 2017 £51.6m
Footfall (wholly owned)	Footfall is an important measure of a centre's popularity with customers. Occupiers use this measure as a key part of their decision-making process.	C&R +1.2% Index -3.5%
Occupancy (wholly owned)	We aim to optimise the occupancy of our centres as attracting and retaining the right mix of occupiers will enhance the trading environment.	2018 97.0% 2017 97.3%

Notes

[1] Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary and Note 1 to the Financial Statements. 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 9 to the Financial Statements.

How this links to our strategy	Progress during the year
We target delivering a strong and sustainable income return.	An increase of 4.8% in Adjusted Profit or 3.1% on a per share basis reflected growth in Net rental income, and a £1.6 million reduction in net central operating costs.
Dividends are a key element of shareholder returns. We aim to preserve a strong income return to shareholders and meet our requirements under the REIT regime balanced with managing cash within the business to fund investment in capital expenditure and mitigate the impact on leverage.	The Board is recommending a final dividend of 0.60 pence per share taking the full-year dividend to 2.42 pence per share. The Company has been actively exploring financing options to underpin its capex plans. The Board has concluded that adjusting the dividend, in combination with a restructuring of two of the Group's debt facilities is the best option at this point in time given current market uncertainties. The cash preserved will assist in mitigating leverage and maintain capex investment, which in the longer term is expected to support earnings growth.
We aim to maximise the value of our assets. Our capital expenditure investment programme is planned to deliver a capital return over and above the income enhancement.	EPRA NAV fell by 8 pence due to revaluation loss net of capital expenditure.
Having the appropriate level of gearing is important to effectively manage our business through the property cycle. Our target range is 40%-50%, with the objective of reducing to the lower end of this in the medium term.	Net debt to property value increased to 48% as a result of the fall in property valuations.
Net rental income is the most critical component of our Adjusted Profit and the source for maintaining a strong and sustainable income return.	The increase in Net rental income reflected the full-year impact of the Ilford acquisition.
Footfall performance provides an indication of the relevance and attractiveness of our centres, influencing occupier demand and future letting performance.	Footfall at the Group's UK shopping centres significantly outperformed the national ShopperTrak index by 4.7 percentage points.
Occupancy has a direct impact on the profitability of our schemes and also influences footfall and occupier demand.	Strong letting activity during the year resulted in stable occupancy rates of 97%.



CHIEF EXECUTIVE'S STATEMENT

"OUR OPERATIONAL RESULTS CLEARLY SUPPORT OUR STRATEGY THAT IS FOCUSED ON RESPONDING TO THE STRUCTURAL CHANGES IN THE RETAIL SECTOR."

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE

2018 marked my first full year in the business and proved to be a challenging one for the global equities markets, the UK, and physical retailing, where we continue to see an unprecedented rate of change driven by both cyclical pressures and the ongoing evolution of retailing. Evolution in retailing isn't a new phenomenon. In the 27 years that I have been in this industry it has never stood still. The growth, then decline, of the department store, the advent of out-of-town superstores or "category killers" and their impact on many high streets and town centres, the rise of speciality store retailing and now online shopping are just some of the changes that have impacted the industry during that time. Change is a constant and success is defined by those companies best able to decipher and/or predict then respond and adapt to these changes. Being able to separate hype from reality and focusing on what can be controlled is a key part of this process.

One of the many things that attracted me to C&R, and back to the UK, is the belief that C&R is well positioned to capitalise on the changes taking place in our industry. These changes are not confined just to retailing and retail-led destinations. The UK is a world leader in the adoption of digital media and technology take-up, including online shopping. The vast majority of retailers who we meet reaffirm our view of the importance of store-based retailing, that the intersection of where product meets people is as important as it ever has been, and our communities speak of the role community retail has in positively changing people's lives, from the everyday to their aspirations for the future.

Ownership of UK community retail is fragmented and we continue to believe that there are opportunities and benefits in the aggregation and consolidation of the ownership and management of these venues. We start from a strong position as our community shopping centres are located in some of the highest growth areas in the UK, with over 50 percent of our gross asset value in greater London and with a focus on non-discretionary, needs-based retail and services where the nature of the goods or economics impede online penetration. The quality of our underlying real estate creates a platform for greater density through mixed-use developments, transforming these locations into exciting and compelling places where people live, work and stay.

In a dynamic retailing environment our scale has advantages as it enables us to be agile and respond more quickly to the changes we see taking place around us. We are committed to our internal management platform and in investing in retaining, growing and recruiting specialist skills in all aspects of repositioning and operating our properties, which we believe drives future returns. We believe that, as the cyclical pressures abate coupled with an understanding of the continued critical role that physical stores have in the sale and distribution of goods and services, our assets and management expertise will afford C&R an exciting opportunity as a potential consolidator of UK community and mixed-use retail assets in the UK.

Notwithstanding the opportunities that will arise from further changes in retailing, our immediate focus is on improving the relevance, performance and value of our

"THE INTERSECTION OF WHERE PRODUCT MEETS PEOPLE REMAINS OF CRITICAL IMPORTANCE AND OUR CENTRES HAVE A VITAL ROLE TO PLAY AS DISTRIBUTION PLATFORMS FOR GOODS AND SERVICES."

existing assets and this is where our comprehensive masterplan approach to asset repositioning is delivering results. Our focus needs to be on the continued delivery of these repositioning and remerchandising masterplans through ongoing investment in our capex programme, to ensure that our assets meet the expectations and needs of our communities.

2018 RESULTS

Our 2018 results illustrate the quality of our underlying real estate and the skill and expertise of our dedicated team who are driven by our objective to create vibrant trading and meeting places. Their success is evidenced by the industry-leading growth in our footfall performance which supports continued leasing momentum. We have also made positive progress in redefining our culture and delivering operational efficiencies. A key part of this has been our move to a decentralised structure designed to provide greater levels of input and empowerment to our onsite teams who are best placed to direct how we tailor our customer proposition for the local communities that we serve.

The roll-out of our capex programme continued during 2018 with £18.5 million invested across our portfolio, including our flagship family precinct in Ilford, which has delivered impressive footfall and leasing results. We have identified over 30 potential projects representing around £80 million through our asset masterplans. These are in addition to the residential, hotel and other development opportunities that exist above or adjacent to our centres, which we continue to progress in dialogue with local councils and potential specialist development partners.

Our plans are consistent with central government planning policy, which supports the town centre first strategy, and councils' local area strategic development plans. We recognise the importance of being a good neighbour and our responsibility to work in partnership with the communities in which we operate. It is hugely important to us that our local communities benefit from our presence both economically and socially and we strive to communicate effectively with local stakeholders based on the specific needs of each community.

OUTLOOK

Our operational performance has remained robust throughout a challenging year in the retail market which has been driven predominantly by the accelerated pace of structural change and exacerbated by Brexit uncertainty. These headwinds present some constraints and the need to be selective on the investment of capex. We are also seeing the ongoing polarisation in retail venues, and the need for retailers to improve profitability and enable greater levels of investment in their customer proposition, both physical and online.

However, despite these headwinds, I remain confident that our strategy will realise the potential of our existing portfolio, which is underpinned by its bias towards high population growth areas in London and proximity to busy transport hubs. We continue to believe that the intersection of where product meets people remains of critical importance to brands and retailers and that our centres have a vital role to play as distribution platforms for goods and services.

Finally I would like to acknowledge the hard work and dedication of our teams in each of our centres and at our support office in London. Thank you for your hard work, support, feedback and inspiration.

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE

OPERATING REVIEW

Highlights of letting activity across the portfolio in 2018 include:

- At Luton, the Luton Borough Council (LBC) has leased 52,000 sq ft of previously vacant office space following a £5.2 million refurbishment. The Council has taken a ten year lease for four out of the five floors located above the shopping centre. Superdry and Lovissa have also taken new retail units.
- At Blackburn, Smiggle opened in the scheme while Holland & Barratt and local independent jeweller, Peter Jackson, upsized their units. We have also signed new lettings with KFC in Maidstone, Blackburn and Luton, with Muffin Break in Maidstone and Bodycare in Blackburn.
- At Walthamstow, lettings were made to Pret and 3G, and River Island renewed its lease.
- In Ilford, Body Shop renewed its lease and Costa Coffee and Kidz Zone relocated their stores to the new Family Zone / Kids Play area.
- In January 2019, M&S announced the closure of its store in our Luton Mall, the only full line M&S store remaining in our portfolio. While M&S has eight years remaining on the lease, we are advancing plans for the unit, having previously demonstrated our ability to remerchandise former department store space with the BHS units.
- In February 2019 key new lettings were secured with Empire for a new nine-screen cinema to anchor the leisure hub at Hemel Hempstead and The Entertainer, which has exchanged on a new lease at Ilford in the Family Zone area for a unit that has been vacant for a number of years, again reflecting the positive impact our investment in community facilities is having at our centres.

Consistent with the community shopping centre strategy we launched in December 2017, our key focus remains the ongoing remerchandising and repositioning of our centres to reflect the changing requirements our communities, guests and retail customers have in relation to physical retail destinations. This includes increasing the amount of floor space we have in non-discretionary, needs-based retail and services where consumers prefer or need physical interaction with goods and services providers.

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.

AFFORDABILITY AND OCCUPANCY COST DRIVING SUCCESSFUL NEW LETTINGS, RENEWALS AND RENT REVIEWS

There were 87 new lettings and renewals in the period at a combined average premium of 3.1%[1] to previous passing rent and a 1.5%[1] premium to ERV.

	Year ended 30 December 2018
New lettings	
Number of new lettings	42
Rent from new lettings	£2.9m
Comparison to ERV[1]	+0.9%
Renewals settled	
Renewals settled	45
Revised rent	£2.6m
Comparison to ERV[1]	+2.0%
Combined new lettings and renewals	
Comparison to previous rent[1]	+3.1%
Comparison to ERV[1]	+1.5%
Rent reviews	
Reviews settled	21
Revised passing rent	£2.7m
Uplift to previous rent	+0.7%

[1] For lettings and renewals (excluding development deals and leases impacted by CVAs) with a term of five years or longer and which did not include a turnover element.

Our affordable rents, which average £15 per sq ft across the portfolio, and lower occupancy costs, mean our assets remain attractive to existing and new occupiers alike.

OPERATIONAL PERFORMANCE

There were 78.8 million visits to our centres during 2018.

Footfall in 2018 increased by 1.2% on a like-for-like basis across the wholly owned portfolio, a significant outperformance of the national index which declined by 3.5%. Footfall performance was strongest at centres where we are furthest advanced in delivering our strategy, most notably in Ilford and Walthamstow.

Car park income increased to £10.7 million, an improvement of 2.3% on a like-for-like basis.

Click and collect transaction volumes continued to grow, increasing by 29% on the prior year, further reinforcing the strength of our locations in the omni-channel shopping experience and cost effective last mile fulfilment.

INSOLVENCIES

There were 35 units impacted by administrations or Company Voluntary Arrangements (CVAs) in 2018 resulting in a loss of £1.5 million in NRI in 2018. The pro rata full year impact, prior to mitigation or re-letting any closed units, would be approximately double. Of the 18 units that closed in 2018, seven have subsequently been re-let on a temporary or permanent basis.

RENTAL INCOME AND OCCUPANCY

	30 Dec 2018	30 Dec 2017
Contracted rent (£m)	**63.4**	64.1
Passing rent (£m)	**60.7**	61.0
Occupancy (%)	**97.0**	97.3

Contracted and passing rent showed small declines of £0.7 million (1.1%) and £0.3 million (0.5%) respectively demonstrating the resilience of the portfolio in the face of CVAs and insolvencies.

At 30 December 2018, there was £2.7 million of contracted rent where the tenant is in a rent-free period, of which £1.9 million will convert to passing rent in 2019. Occupancy remained strong at 97.0%.

CAPITAL EXPENDITURE

During 2018, we invested £18.5 million of capital expenditure across our portfolio, enabling us to progress our asset masterplans and repositioning projects consistent with our strategy. A number of major projects were progressed or completed:

- Completion of £5.2 million office fit-out at Arndale House, Luton (£4.3 million spend in 2018)
- Hemel Hempstead – obtaining planning permission for the cinema development (£0.4 million) and completing the installation of a new façade for the Fareham House high street block (£0.6 million)
- Delivery of new Family Zone at Ilford (£1.7 million in 2018)
- Walthamstow planning consent obtained in July 2018 for approximately 500 new homes and 80,000 sq ft of new retail and leisure space incorporating a dedicated new tube entrance within the scheme (£1.1 million spend in 2018)
- New guest facilities at Hemel Hempstead, Ilford, Wood Green (£2.1 million in total in 2018)

We maintain strategic masterplans for each asset which are updated on an ongoing basis. In total we have over 30 individual projects identified for potential implementation over the next three to five years, totalling over £80 million which we believe will deliver in aggregate an income return of at least 8%.

Our investment in new and additional team members in leasing and development has improved our ability to deliver the masterplans at a faster rate with greater efficiency while improving the quality of product supported through the engagement of best-in-class consultants.

We expect to deploy capex at a typical rate of approximately £15-25 million per annum. The depth of opportunities across the portfolio enables us to focus investment on those with the strongest impact and thereby provides flexibility, allowing us to respond dynamically to changes in circumstance.

The most significant investment for 2019 is planned for Hemel Hempstead with the introduction of a new Family Zone and general ambience improvements in the first half of 2019, as well as a leisure hub anchored by a new Empire Cinema being developed over 2019 and 2020. In total more than £15 million is scheduled to be invested on the asset across the next two years.

OTHER ASSETS AND OPERATIONS

The Kingfisher Centre, Redditch

(C&R net investment £0.8 million at 30 December 2018)

The property was valued at £118.6 million at 30 December 2018. A restructuring of the debt on the asset was agreed in December 2018 and completed in early March 2019, reducing C&R's percentage holding to 12%. The combined net impact of this, distributions received and the revaluation loss for the year reduced C&R's net interest at 30 December 2018 to £0.8 million.

Snozone

Snozone produced a robust trading performance in 2018 with revenue up 1% (£10.4 million) and profit of £1.5 million in line with the previously record levels of 2017, despite adverse weather impacting the peak Q1 trading quarter.

The Snozone business provides C&R with in-house operational leisure expertise. This is utilised across the shopping centre portfolio to assist with ongoing leisure operations and new opportunities. The Snozone management team also provide a platform to grow revenues with possible consolidation opportunities in the fragmented market for snow sports or other similar leisure operations.

See Spotlight on page 20

SPOTLIGHT

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. Since opening in 2000, over two million people have been taught to ski or snowboard. Snozone also provides family friendly activities, such as sledging, and is a popular venue for family days out.

As well as providing ski and snowboard lessons, Snozone delivers a unique education programme, aimed at schools and colleges, teaching and accessing the snow sports components of A'Level and GCSE PE and sport subjects. The venues also run school holiday camp programmes combining snow based activities with non-slope activities such as first aid courses for children.

Snozone is a leading advocate of Sport England's 'This Girl Can' campaign, promoting, supporting and enabling women and girls to get into sport. In 2016 they also launched their Snozone Disability Snow School. They are also fully accredited as being Disability Confident. The venues also provide coaching to high performance race teams.

The venues have full conference and banqueting facilities and operate their own bar and restaurants and diversify in the off-season with a range of events, from product launches to corporate team building activities and celebratory parties and dinners. Castleford even has its own wedding licence. In 2017, Disney hired the slopes at Milton Keynes to film the re-boot of Aladdin.

Whilst competition in the indoor snow slope sector has been strong since 2009, Snozone is the market leader and pre-tax profits have risen each year from a base of £0.5 million (2011) to £1.5 million (2018) despite a highly competitive active-leisure market. Revenues moved forward 1% in 2018 to over £10.4 million.

In October 2017, Snozone was voted 'Best Sporting Venue' at The School Travel Awards UK, beating Manchester United, Twickenham Stadium, The National Football Museum and Wimbledon Lawn tennis museum & tours. In 2018 Snozone was runner up to Twickenham stadium. Snozone was also voted best active venue by Daysoutwiththekids.com in 2018.

STRATEGY IN ACTION

HEMEL HEMPSTED

NEW GUEST SERVICES LAUNCH

The Marlowes, Hemel Hempstead represents the biggest investment project across our portfolio in 2019-2021. Adopting our masterplan approach, and building on the success of Ilford, it will deliver enhanced guest and community experiences, with a focus on three key initial zones – family, leisure and amenities.

We launched the first phase with new guest facilities in September 2018 which included improved toilets, parent and child facilities, a children's play area as well as a brand new look and feel to the entire facility. Alongside the launch, new guests were encouraged to visit the centre through the successful implementation of a locally tailored marketing campaign comprising outreach communications including radio, press advertising and outdoor media as well as in-centre promotions.

"HUGE CONGRATS TO MARLOWES FOR THEIR NEW FAMILY ROOM... VERY WELL THOUGHT OUT... WELL DONE MARLOWES FOR YOUR FORWARD THINKING"

SOCIAL MEDIA FEEDBACK FOLLOWING LAUNCH

The new facilities have been a resounding success, reflected in the rise in footfall, which increased by 4.5% vs the national index in the five weeks following the launch. We received fantastic feedback regarding the new facilities and our social media updates about the changes reached 25,000 people and generated over 1,000 engagements on Facebook alone.

2019 will see the delivery of the Family Zone, followed by the delivery of a new leisure precinct and the arrival of Empire Cinema in summer 2021.

FINANCIAL REVIEW

	2018	2017	Change
Profitability			
Statutory revenue	**£91.0m**	£89.2m	+2.0%
Net rental income[1]	**£51.9m**	£51.6m	+0.6%
Adjusted Profit[2]	**£30.5m**	£29.1m	+4.8%
Adjusted Earnings per share[2]	**4.23p**	4.10p	+3.2%
IFRS (loss)/profit for 2018	**£(25.6)m**	£22.4m	
EPRA cost ratio (excluding vacancy costs)	**25.1%**	25.9%	-80bps
Net administrative expenses to gross rent	**10.7%**	12.7%	-200bps
Investment returns			
Net Asset Value (NAV) per share	**60p**	67p	-7p
EPRA NAV per share	**59p**	67p	-8p
Dividend per share	**2.42p**	3.64p	-33.5%
Dividend pay-out	**57.2%**	88.8%	
Return on equity	**(5.3)%**	4.7%	
Financing			
Group net debt	**£411.1m**	£404.0m	+£7.1m
Group net debt to property value	**48%**	46%	+2pps
Average debt maturity[3]	**6.3 years**	7.3 years	-1.0 years
Cost of debt[4]	**3.27%**	3.25%	+0.2bps

[1] Wholly owned assets.
[2] Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary and Note 1 to the Financial Statements. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 9 to the Financial Statements.
[3] Assuming exercise of all extension options.
[4] Assuming all loans fully drawn.

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	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 as it seeks to exclude items that are either non-cash movements or items that are one-off or do not relate to the Group's recurring operating performance. 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 and/or one-off items. 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 such as restructuring costs where EPRA is prescriptive. Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held. A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 9 to the consolidated Financial Statements.

Alternative performance measure used	Rationale
Like-for-like amounts	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. 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.
Net rent or Net rental income (NRI)	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 3 to the consolidated Financial Statements.

PROFITABILITY

Amounts in £m	Year to 30 December 2018	Year to 30 December 2017
Net rental income (wholly owned assets)	**51.9**	51.6
Net interest	**(18.9)**	(18.7)
Central operating costs net of external fees	**(4.3)**	(5.9)
Kingfisher Redditch	**0.4**	0.7
Snozone profit (indoor ski operation)	**1.5**	1.5
Tax charge	**(0.1)**	(0.1)
Adjusted Profit	**30.5**	29.1
Adjusted Earnings per share (pence)[1]	**4.23**	4.10
Reconciliation of Adjusted Profit to statutory result		
Adjusted Profit	**30.5**	29.1
Property revaluation (including deferred tax)	**(52.5)**	(6.3)
Loss on disposal of Ipswich[2]	**(3.8)**	–
Gain on financial instruments	**2.6**	1.1
Refinancing costs	**–**	(0.5)
Other items[3]	**(2.4)**	(1.0)
IFRS (loss)/profit for 2018	**(25.6)**	22.4

[1] EPRA figures and a reconciliation to EPRA EPS are shown in Note 9 to the Financial Statements.
[2] Represents a write down on the 2017 Ipswich disposal following the final true-up of deferred consideration after the end of the two-year earn-out window.
[3] Includes £0.7 million for the non-cash accounting charge in respect of share-based payments (2017: £0.9 million).

Adjusted Profit – 2018: £30.5 million (2017: £29.1 million)

Adjusted Profit and Adjusted Earnings per share showed increases of 4.8% and 3.2% respectively, reflecting growth in NRI and a £1.6 million reduction in net central operating costs, driven by cost initiatives.

NRI from wholly owned assets increased by £0.3 million or 0.5%. This included the full period benefit of £4.7 million of NRI from The Exchange, Ilford, which was acquired on 8 March 2017, without which NRI was the same as the prior year. Net interest (see table further below) increased by £0.2 million compared to the prior year period due to the full-year impact of the Ilford acquisition.

Net central operating costs improved by £1.6 million compared to 2017 as a result of the Group's cost improvement plan which has now delivered a saving of £2.7 million since 2016, equivalent to approximately 25% of 2016 gross central costs.

The contribution from Redditch fell from £0.7 million to £0.4 million due to lower NRI and a higher interest charge following the refinancing in July 2017. A restructuring of the joint venture was agreed in December 2018 and completed in early March 2019 that has diluted the Group's interest from 20% to 12%. As a result of this the Group's share of profit will no longer be equity accounted for and income only recognised as distributions are received.

FINANCIAL REVIEW

CONTINUED

IFRS (loss)/profit for the period – 2018: loss of £25.6 million (2017: profit of £22.4 million).

Including the Group's share of Redditch, the loss on revaluation of investment properties for the year was £52.5 million (2017: £6.3 million) and this was the key component driving a loss for the period of £25.6 million. A breakdown of valuations by property is provided in the Net Asset Value section below.

The loss on disposal of £3.8 million represents a write-down on the 2017 Ipswich disposal following the final true-up of deferred consideration after the end of the two-year earn-out window.

NET INTEREST

Amounts in £m	Year to 30 Dec 2018	Year to 30 Dec 2017
Net Interest on loans	14.4	14.0
Amortisation of refinancing costs	0.9	1.0
Notional interest charge on head leases[1]	3.4	3.4
	18.7	18.4
Central	0.2	0.3
Net Group interest	**18.9**	18.7

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

NET ASSET VALUE

The valuation of the wholly owned portfolio at 30 December 2018 was £855.2 million, reflecting a net initial yield of 6.23%.

Values of the Group's London assets increased over the year, driven primarily by income growth in Walthamstow following on from the remerchandising of the previous BHS unit into a new Lidl, gym, restaurant and Pret store, supported by continued strong investment demand and underpinned by alternative use values.

The Group's assets outside of London were significantly impacted by negative sentiment towards retail assets with the headline valuation of the Group's three South East assets declining by 10.1% and Blackburn falling by over 20%.

As a result, NAV decreased to £433.0 million and EPRA NAV to £431.7 million (December 2017: £481.4 million and £482.6 million), respectively, reflecting the net impact of the fall in valuations (in the table below) and capital expenditure of £18.5 million. On a per share basis Basic NAV fell by 7p to 60p and EPRA NAV fell by 8p to 59p from the 2017 equivalents.

PROPERTY PORTFOLIO VALUATION

	30 December 2018		30 December 2017	
Property at independent valuation	**£m**	**NIY %**	£m	NIY %
London				
Ilford	86.2	5.69%	82.4	6.54%
Walthamstow	124.6	5.01%	107.7	5.25%
Wood Green	238.3	5.12%	231.2	5.25%
	449.1	5.20%	421.3	5.51%
South East				
Hemel Hempstead	44.9	7.35%	54.0	6.88%
Luton	195.4	7.01%	214.0	6.35%
Maidstone	69.0	7.74%	76.0	6.70%
	309.3	7.23%	344.0	6.51%
Regional				
Blackburn	96.8	7.70%	121.3	6.65%
Wholly owned portfolio	855.2	6.23%	886.6	6.06%

STRATEGIC REPORT

FINANCING

The Group's debt facilities are outlined in the table below. The fall in valuations has resulted in net debt to value increasing to 48%.

Details on these covenants are provided in the "Covenant Information" section on page 121. The Group was compliant with them at 30 December 2018 and throughout the year.

30 December 2018	Debt[1] £m	Cash[2] £m	Net Debt £m	Loan to value[3] %	Net debt to value[3] %	Average interest rate %	Fixed %	Duration to loan expiry Years	Duration with extensions Years
Four Mall assets	**265.0**	(9.3)	**255.7**	50%	48%	3.33	100	6.9	7.6
Hemel	**26.9**	(1.7)	**25.2**	60%	56%	3.32	100	4.1	4.1
Ilford	**39.0**	(2.3)	**36.7**	45%	43%	2.76	100	5.2	5.2
Luton	**107.5**	(5.2)	**102.3**	55%	52%	3.14	100	5.0	5.0
Group RCF	**–**	(8.8)	**(8.8)**	–	–	3.87	–	3.1	3.1
On balance sheet debt	**438.4**	(27.3)	**411.1**	51%	48%	3.27	94	5.9	6.3

1 Excluding unamortised issue costs.
2 Excluding cash beneficially owned by tenants.
3 Debt and net debt divided by investment property at valuation.

After C&R's year end, in early March 2019, the Group agreed a combined restructuring of its Hemel Hempstead loan and revolving credit facility (RCF). Part of the RCF has been replaced with a £7 million capex facility on Hemel Hempstead that will help to part fund the development of the cinema and related leisure works. The facility has effectively been reset on a development basis with income and loan to value (LTV) covenants relaxed or waived for the next two years. The RCF has rebased to a £15 million facility with improved headroom on both Total net worth and LTV covenants.

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 December 2018, 64,420,122 of the Company's shares were held on the JSE share register, representing 8.87% of the total shares in issue.

DIVIDEND

The Board is proposing a final dividend of 0.60 pence per share, taking the full-year dividend to 2.42 pence per share, representing a 33.5 per cent decrease from 2017. As noted, the Board has decided to reduce the final dividend from the 2017 equivalent in order to preserve cash to assist with funding the Group's ongoing capex programme.

The key dates proposed in relation to the payment of the 2018 final dividend are:

■ Confirmation of ZAR equivalent dividend and PID percentage	Tuesday, 26 March 2019
■ Last day to trade on the Johannesburg Stock Exchange (JSE)	Tuesday, 2 April 2019
■ Shares trade ex-dividend on the JSE	Wednesday, 3 April 2019
■ Shares trade ex-dividend on the London Stock Exchange (LSE)	Thursday, 4 April 2019
■ Record date for LSE and JSE	Friday, 5 April 2019
■ Annual General Meeting	Thursday, 16 May 2019
■ Dividend payment date	Thursday, 23 May 2019

The amount to be paid as a property income distribution (PID) will be confirmed in the announcement to be released on Tuesday, 26 March 2019. South African shareholders are advised that the final 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 Tuesday, 26 March 2019. Share certificates on the South African register may not be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019, both dates inclusive. Transfers between the UK and South African registers may not take place between Tuesday, 26 March 2019 and Friday, 5 April 2019, both dates inclusive.

Stuart Wetherly
Group Finance Director

MANAGING RISK

RISK MANAGEMENT PROCESS

There are a number of risks and uncertainties which could have a material impact on the Group's future performance and could cause results to differ significantly from expectations.

Ahead of every half year and year end the Group undertakes a comprehensive risk and controls review involving interviews with relevant management teams. The output of this process is an updated risk map and internal control matrix for each component of the business which is then aggregated into a Group risk map and matrix which is reviewed by executive management, the Audit Committee and the Board and forms the basis for the disclosures made below. This process clearly outlines the principal risks, considers their potential impact on the business, the likelihood of them occurring and the actions being taken to manage, and the individual(s) responsible for managing, those risks to the desired level.

This risk matrix is also used in performing our annual assessment of the material financial, operational and compliance controls that mitigate the key risks identified. Each control is assessed or tested for evidence of its effectiveness. The review concluded that all such material controls were operating effectively during 2018.

PRINCIPAL RISKS AT 30 DECEMBER 2018

Following the risk reviews carried out as at 30 June 2018 and 30 December 2018, the identified risk 'Internet risk' has been broadened to 'Structural changes in retail' to reflect the full range of challenges to the industry. It was concluded that this risk has increased in both significance and likelihood, reflecting the restructuring and CVA activity in the last 12 months and continued pressure on retailers' store portfolios and impact of the internet and other changes. Management also concluded that Property investment market risks and Valuation risks had likewise increased, the latter reflecting the potential for a wider range of valuation outcomes due to the continued low level of transactional evidence.

Otherwise it was concluded that the nature of the Group's risks had not significantly changed, although the ongoing economic and political uncertainty in the UK, most prominently due to ongoing Brexit negotiations, continues to impact some of the wider market risks that the Group is subject to.

The risks noted 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.

Risk	Impact	Mitigation
PROPERTY RISKS		
Property investment market risks		
■ Weakening economic conditions and poor sentiment in commercial real estate markets could lead to low investor demand and an adverse movement in valuation	■ Small changes in property market yields can have a significant effect on valuation ■ Impact of leverage could magnify the effect on the Group's net assets	■ Monitoring of indicators of market direction and forward planning of investment decisions ■ Review of debt levels and consideration of strategies to reduce if relevant
Impact of the economic environment		
■ Tenant insolvency or distress ■ Prolonged downturn in tenant demand and pressure on rent levels	■ Tenant failures and reduced tenant demand could adversely affect rental income, lease incentive, void costs, cash and ultimately property valuation	■ Large, diversified tenant base ■ Review of tenant covenants before new leases signed ■ Long-term leases and active credit control process ■ Good relationships with, and active management of, tenants ■ Void management though temporary lettings and other mitigation strategies
Valuation risk		
■ Lack of relevant transactional evidence	■ Property valuations increasingly subjective and open to a wider range of possible outcomes	■ Use of experienced, external valuers who understand the specific properties ■ Use of more than one valuer ■ Valuations reviewed by internal valuation experts and key assumptions challenged

Risk	Impact	Mitigation
Threat from structural changes in retail		
■ The trend towards online shopping, multi-channel retailing, and increased spending on leisure may adversely impact consumer footfall in shopping centres	■ Changes in consumer shopping habits towards online purchasing and delivery may reduce footfall and therefore potentially reduce tenant demand and the levels of rents which can be achieved ■ An increased use of CVAs by retailers as a means of restructuring and cost reduction	■ Strong location and dominance of shopping centres (portfolio is weighted to London and South East England) ■ Strength of the community shopping experience with tailored relevance to the local community ■ Concentration on convenience and value offer which is less impacted by online presence ■ Increasing provision of "Click & Collect" within our centres ■ Digital marketing initiatives ■ Monitoring of footfall for evidence of negative trends ■ Monitoring of retail trends and shopping behaviour
Concentration and scale risk		
■ By having a less diversified portfolio the business is more exposed to specific tenants or types of tenant	■ Tenant failures could have a greater impact on rental income ■ Reduced purchasing power could impact the ability to drive economies of scale and the feasibility of certain investment decisions regarding the operating platform	■ Regular monitoring of retail environment and performance of key tenants ■ Maintaining flexibility in operating platform ■ Further diversification considered through acquisitions or joint ventures
Competition risk		
■ The threat to the Group's property assets of competing in town and out-of-town retail and leisure schemes	■ Competing schemes may reduce footfall and reduce tenant demand for space and the levels of rents which can be achieved	■ Monitoring of new planning proposals ■ Close relationships with local councils and willingness to support town centres ■ Continued investment in schemes to ensure relevance to the local community ■ Investment in traditional and digital marketing
Business disruption from a major incident		
■ Major incident takes place	■ Financial loss if unable to trade or impacts upon shopper footfall	■ Trained operational personnel at all sites and documented major incident procedures ■ Updated operational procedures reflecting current threats and major incident testing run ■ Regular liaison with the police ■ Key IT applications hosted offsite ■ Insurance maintained
Development risk		
■ Delays or other issues may occur to capital expenditure and development projects	■ May lead to increased cost and reputational damage ■ Planned value may not be realised	■ Approval process for new developments and staged execution to key milestones ■ Use of experienced project co-ordinators and external consultants with regular monitoring and Executive Committee oversight

MANAGING RISK

CONTINUED

Risk	Impact	Mitigation
FUNDING AND TREASURY RISKS		
Liquidity and funding		
■ Inability to fund the business or to refinance existing debt on economic terms when needed ■ Breach of any loan covenants causing default on debt and possible accelerated maturity	■ Inability to meet financial obligations when due ■ Limitation on financial and operational flexibility ■ Cost of financing could be prohibitive ■ Unremedied breaches can trigger demand for immediate repayment of loan	■ Ensuring that there are significant undrawn facilities ■ Efficient treasury management and forecasting with regular reporting to the Board ■ Option of asset sales if necessary ■ Regular monitoring and projections of liquidity, gearing and covenant compliance ■ Review of future cash flows and predicted valuations to ensure sufficient headroom
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	■ Regular monitoring of the performance of derivative contracts and corrective action taken where necessary ■ Use of alternative hedges such as caps
OTHER RISKS		
Property acquisition/disposal strategy		
■ Exposure to risks around overpayment for acquisitions ■ Portfolio not effectively managed through the investment cycle, with sales and de-leveraging at the appropriate time	■ Overpayment may result in acquisitions not delivering forecast returns ■ The Group may not be able to take advantage of investment opportunities as they arise ■ Covenants may move adversely when cycle changes	■ Regular monitoring of the property market and the use of professional advisers ■ Impact of cycle reflected in business planning
Reputational risk		
■ Adverse events or publicity, including social media, may lead to reputational damage	■ Negatively impact investor market perception ■ May reduce shopper footfall and demand from tenants for space	■ Close Board/Management oversight of major issues and decision making ■ Effective pre-planning of announcements and applications ■ Monitoring of public opinion through focus groups and review of press and social media ■ Use of PR advisers and media training for Management
Tax risks		
■ Exposure to non-compliance with the REIT regime and changes in the form or interpretation of tax legislation ■ Potential exposure to tax liabilities in respect of historic transactions undertaken	■ Tax-related liabilities and other losses could arise	■ Monitoring of REIT compliance ■ Expert advice taken on tax positions and other regulations ■ Maintenance of a regular dialogue with the tax authorities

Risk	Impact	Mitigation
Regulation risks		
■ Exposure to changes in existing or forthcoming property or corporate regulation	■ Failure to comply could result in financial penalties, loss of business or credibility	■ Training to keep Management aware of regulatory changes ■ Expert advice taken on complex regulatory matters
Loss of key management		
■ Dependence of the business 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 effectiveness	■ Key management are paid market salaries and competitive incentive packages ■ New LTIP awards made in 2018 ■ Succession planning for key positions
Historic transactions		
■ Historic sales have included vendor warranties and indemnities and as such, the Group has potential exposure to future claims from the purchaser	■ Warranty and indemnity-related liabilities and other losses could arise	■ Use of professional advisers to achieve properly negotiated agreements in terms of scope, extent of financial liability and time frame ■ Monitoring of ongoing exposure

VIABILITY STATEMENT

In accordance with the 2016 revision of the UK Corporate Governance Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a three-year period to December 2021. This was selected reflecting that the Group's annual budget and business planning process covers a three-year period and all of the Group's debt financing is secured and fully available for the duration of the period.

The three-year budget and business plan review considers the Group's cash flows, dividend cover and other key financial ratios over the period. It includes sensitivity analysis to consider adverse scenarios, that could be caused by the principal risks and uncertainties outlined on pages 26 to 29. This incorporated the impact on covenant compliance of a significant fall in property valuations or property income and considered the mitigating actions that would be open to Management in such a scenario, including the ability to delay or reduce capital expenditure, releasing equity through capital recycling or raising funding through other means.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2021.

GOING CONCERN

Under the UK Corporate Governance Code, the Board needs to report whether the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- the Group's latest rolling forecast, in particular the cash flows, borrowings and undrawn facilities;
- the headroom under the Group's financial covenants;
- options for recycling capital and/or alternative means of additional financing for funding new investments; and
- the principal Group risks that could impact on the Group's liquidity and solvency over the next 12 months and/or threaten the Group's business model and capital adequacy.

The Group's risks and risk management processes are set out on pages 26 to 29.

Having due regard to these matters and after making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board continues to adopt the going concern basis in preparing the Financial Statements.

RESPONSIBLE BUSINESS

OVERVIEW

Our commitment to running our business responsibly is important to C&R; it underpins the way we operate and is an integral part of who we are and what we do.

Our aim is to be socially responsible so that C&R is not only a great place to work but has a positive impact on our guests, retailer customers and the wider community while minimising our environmental impact.

Our Responsible Business strategy is supported by explicit targets and remains focused on four key areas:

THE MARKETPLACE

Our aim is to engage with our local guests, customers, suppliers and stakeholders, to understand their needs and identify ways of improving our collective responsible business performance. We recognise the positive impact our retail customers and suppliers can have on our sustainability efforts and continue to work in partnership to deliver our goals to create vibrant retail spaces.

Highlights from 2018

- Retained the ROSPA Gold Award for 12th consecutive year.
- Our Operational Standards Assessments increased by 9% achieving 91%.
- Our Compliance and Facilities Management audit achieved an average score across the portfolio of 95%.
- The launch of the new GEM's training programme (Going the Extra Mile) which has enhanced the guest and customer experience together with enhanced KPIs for our FM service contractors to ensure a seamless journey for our guests.

Priorities for 2019

- Retain the ROSPA Gold Award.
- Ensure that the biannual Operational Standards assessment demonstrates continuous improvement at each centre by improving the overall guest and customer experience.
- Implement a successful transition to the new supplier contracts for cleaning, security and maintenance. A new brand standard performance measurement will also be launched to accurately reflect the guest and customer experience across all services.
- Launch a revised health and safety audit based on guest and customer experience while still ensuring compliance with statutory legislation with an average score of 95% across the portfolio.

COMMUNITY IN ACTION

GEMS GOING THE EXTRA MILE TRAINING PROGRAMME

2018 saw the launch of our own bespoke team training and recognition programme GEMs (Going the Extra Mile) across all our centres, which aims to ensure that our guests receive an exceptional experience when visiting our centres and engaging with our teams. GEMs is a way of recognising and rewarding individual team members who have provided a consistent exceptional guest experience. To complement GEMs, we have also launched our Sparkler Awards for those one-off acts which are deserving of special recognition.

The whole programme has been welcomed by our teams and has already had a demonstrable positive impact on our mystery shopper scores recently conducted through Revo ACE awards scheme and has shown a huge improvement across all centres with an industry leading average score of 86%.

collect+

live life on the plus side

COMMUNITY IN ACTION

COLLECT+ CHANGING AREAS

Guests are able to shop online and pick their goods up when it is convenient for them, or return products bought online using the Collect+ service at our guest service points located in the centres. Our enhanced Guest Lounges, now open in Maidstone and Ilford, enable guests to pick up their orders, try them on before taking them home, or return them, in one convenient location. Further roll-out across our centres is planned in 2019.

Guests can also order online at Amazon and collect or return in the centre using our new Amazon Locker service. Over 59,000 parcels were handled via Collect+ and Amazon Lockers in 2018, a 29% increase on 2017. This added service has been very well received by guests, with many noting their busy lifestyles mean the traditional delivery system does not suit them, but using their local community shopping centre to fulfil this requirement is perfect. Our research shows guests who use the service go on and spend further in the shopping centre, supporting our retailers.

ENVIRONMENTAL SUSTAINABILITY

We work hard to ensure that the local communities which we serve are better places to be for all. Our commitment is to reduce our impact on the environment in the three key areas of waste, water and energy. In addition, we continue to focus on reducing the carbon footprint of our properties. We have long recognised that any development activity should mirror this and have proactively ensured we minimise energy consumption and mitigate the effects of climate change throughout the design and refurbishment of our centres.

Highlights from 2018

- Retained the Global Real Estate Benchmark (GRESB) Green Star Status
- Reduced CO_2 emissions by 18% and reduced gas and electricity consumption on a like-by-like basis by 4.9%.
- Of the 4,605 tonnes of waste treated 99% diverted from landfill of which 99% re-used with 77% recycled and 22% waste to energy.

Priorities for 2019

- Achieve GRESB Green Star 4 star rating and satisfy all carbon compliance reporting and legislative requirements.
- Reduce gas and electricity consumption by 2% and water consumption (normalised by footfall at landlord-controlled facilities) by 1%.
- Introduce increased recycling within the food services areas by engaging with food retail customers and key stakeholders within the centres.
- Divert at least 95% waste direct from landfill and 90% recycled back to the supply chain.
- In conjunction with our centres and engaging local groups and community users to introduce refillable water opportunities within the centres.

Report on Greenhouse Gas Emissions

The reported CO_2 emissions for 2018 have been produced with reference to the Greenhouse Gas Protocol. The reporting boundary has been defined using the operational control approach, reporting emissions for operations in which Capital & Regional has control. It does not account for GHG emissions from operations in which it owns an interest but has no operational control. Energy use from metered sources identified as fully controlled by third parties (e.g. tenants) have also been excluded.

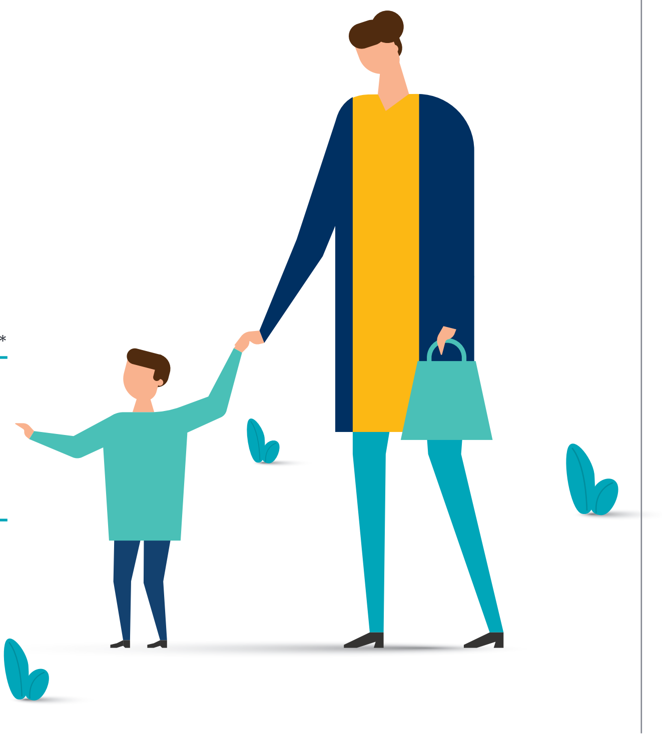
Scope 1 emissions account for total gas consumption. Emissions from emergency equipment (e.g. standby generators) have been deemed deminimis and therefore are not included in the reported figures. Scope 2 emissions account for the total electricity purchased.

Actual invoice data and site consumption logs have been used for reporting wherever possible, however some data has been estimated where required. It should be noted that the Scope 1 and Scope 2 emissions (where stated in tCO_2e) are absolute values. The 2017 and 2018 figures are not necessarily directly comparable due to changes in emission factors, and the Group's property portfolio included in the boundary.

Scope 1 and 2 Mandatory Reporting*	2018	2017**
Emissions		
Scope 1 tCO_2e	**1,371**	1,184
Scope 2 tCO_2e	**6,763**	8,739
Intensity		
Scope 1 and 2 $kgCO_2e$/sq ft	**1.55**	1.89

* The reported emissions represents the best information available at the time of issue (15/02/2019).
Scope 1: Direct GHG emissions from controlled operations (natural gas consumption)
Scope 2: Indirect GHG emissions from the use of purchased electricity, heat or steam (electricity consumption).

** 2017 figures have been restated where material changes were subsequently identified



WE ARE **AGILE**

WE ARE **ONE TEAM**

WE ARE **ACCOUNTABLE**

WE ARE **INNOVATIVE**

OUR PEOPLE

APPRENTICE APPOINTMENT

THE MALL, BLACKBURN

Sumaiya Patel joined The Mall, Blackburn in October 2018 as one of the businesses, first apprentices in the position as Guest Experience Assistant. Sumaiya will work with us for 15 months while she completes her NVQ via Training 2000 and will split her time between the Ask Me Point and the management office. The training and qualification will provide Sumaiya with the skills needed to provide excellent guest/customer service.

By the end of the course Sumaiya will be able to interact with guests in a positive, knowledgeable way. It will increase her confidence, which we can see is already growing, enhance her communication skills and help her understand the importance of listening to guests/customers.

RESPONSIBLE BUSINESS

PEOPLE

Being a responsible business cannot be achieved without the support and active engagement of our colleagues. They are fundamental to the delivery of our business vision to define and lead Community Shopping, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience. Our aim is to ensure that we promote a progressive company culture which is a combination of who we are, how we work together and the pride we generate. Our aim is to engage, develop and reward our people, retaining our reputation as an employer of choice within the sectors in which we operate. We want to provide relevant, engaging training for all our employees in order that they can make their fullest contribution to our success and deliver exceptional customer service. We set out to provide a working environment which supports the wellbeing and health of all our people, taking account of the diversity of our workforce and reflecting our values and ethics.

Highlights from 2018

- All centres participated in the Revo Achievement in Customer Excellence Awards (ACE) and achieved an average Mystery Shopper rating of 90%, +11% improvement on last year and compared to the industry average of 81%
- Achieved 93% return rate on C&R Pulse, our in-house Staff Engagement Survey, +7% on LYR.
- Launched our new GEM Customer Service training programme where service achieved an average Mystery Shopper rating of 86%, +25% improvement on last year.
- Employee NPS (Net Promotor Score) achieved +35 average for the year compared to industry average of +5.
- Successful launch of CARTER (Capital & Regional Team Engagement Resource) achieved 98% active users.
- Supported three interns in 2018 who all went on to secure full-time employment.
- Supported two staff in attending the OSS Academy retail management development programme.

Priorities for 2019

- To launch the GEMs training programme within the Support Office.
- All centres to enter the Revo Achievement in Customer Excellence Awards (ACE) and achieve an average rating of at least 81%.
- To deliver a focused training and development programme supporting the decentralised structure with the aim of developing high performing teams across the whole business.
- HR Fusion - To deliver the successful restructure of C&R and Mall People Payrolls and implement an online HR System.

Our culture, how we do things and go about our work, is crucial in supporting the delivery of our strategic priorities. In the summer of 2018, team members from across the business came together to consider what culture we needed going forward to be able to thrive in the changing retail world. The outcomes were shared and the culture we aspire to agreed, as one of innovation and agility; where we act as one team and are held accountable.

To support the decentralised business structure and culture, we launched our internal communications platform CARTER to facilitate better interaction between our support office and centres. Colleagues can more easily share insights, stimulate conversations and discuss news flow relevant to the business.

THE COMMUNITY

Fundamental to our strategy is the key role our centres play in the ongoing development of the communities and environments in which we operate. We work closely with key stakeholders to ensure that we listen, engage and use feedback to develop or refine our approach. We aim to provide safe, welcoming, clean and attractive shopping and leisure venues where our guests choose to shop, work and socialise. We seek to make a positive contribution to each local community by being a responsible, socially aware and a proactive partner.

Highlights from 2018

- Through C&R Cares we raised £340,000 for our local charities in 2018, +8% on 2017.
- We handled 59,000 Collect+ parcels in 2018, a 29% increase on 2017.
- Now members of Retail Trust and developed a support platform for our centre teams and retail customers.
- The Mall Blackburn set up a Community Catch Up scheme which is suitable for people of all ages and backgrounds that want to meet new people, learn new skills or just enjoy a brew and a chat.
- In October 2018 we launched the portfolio's first Changing Place facilities where we secured £60,000 financial support from the local authority in Ilford.
- All centres supported Purple Tuesday (the UK's accessible shopping day) in November 2018.

Priorities for 2019

- To continue to work with our local Mall Cares charities and at least match 2018 fundraising.
- Committed to a long-term pledge to hold a quiet hour on at least one day during any family events we hold in the centres.
- To support mental health awareness across our communities by ensuring every centre has at least two qualified Mental Health First Aiders.
- To introduce a Disability Confident Committed scheme which supports our commitment to make the most of the talents disabled people can bring into the workplace.

CREATING A FULLY INCLUSIVE SHOPPING EXPERIENCE

We are committed to ensuring all of our guests have a positive experience when visiting our centres. That means making sure our facilities are fully inclusive and cater to all of our guests' needs. We support people with disabilities by investing in areas such as our family changing facilities, accessible toilets including 'Changing Places' facilities, as well as other projects such as Quiet Hour, and we continue to support measures that benefit everyone. A highlight from 2018 was 'Purple Tuesday', a national campaign which established the UK's first accessible shopping day, to recognise the importance and needs of disabled consumers and promote inclusive shopping.

DEVELOPMENTS IN OUR COMMUNITIES

Our asset masterplans include significant opportunities to evolve our centres to keep pace with the rapidly changing retail landscape which includes development activity at our centres. In evolving these plans we have the opportunity to create vibrant community hubs combining key services, everyday essentials and leisure facilities. Our centres are often the community focal point where people meet, shop, eat, access information and services or simply visit to be around people. We put great emphasis on building relationships with our existing communities, making sure they are involved and fully engaged in what we are doing. We share the view of government and expert industry bodies in believing in the importance of vibrant, successful and active town centres. Many of our team members have significant experience in urban regeneration including award winning masterplans and projects in some of the UK's largest cities. We seek to engage the local community actively in the development and planning process, from consultation and feedback through the planning journey with continued communication of the development's progress.

COMMUNITY IN ACTION

CHANGING PLACES

Thousands of people with profound and multiple learning disabilities, as well as other disabilities that severely limit mobility, cannot use standard accessible toilets. Over a quarter of a million people in the UK need Changing Places toilets but there are only just over 1,000 across the UK. Although the numbers are increasing, there are still not enough Changing Places toilets across the country. The absence of suitable toilets mean that people with complex disabilities who need assistance cannot take part in activities such as shopping, going out for a meal or attending events.

C&R is committed to improving accessibility and we have invested in two state of the art Changing Places at The Exchange, Ilford and The Marlowes, Hemel Hempstead as part of our refurbishment of the centres' facilities.

'QUIETER HOUR'

We understand how difficult it can be for individuals and families with special sensory needs to make a trip to a shopping centre, like so many others do regularly, let alone participate in activities which can be noisy and overwhelming. So, during The Mall Luton's key family campaign events this year we offered Quiet sessions, in the evenings and on Sunday mornings when the centre was closed to the public, with no music or flashing lights to create a calming and less daunting environment for children with autism. We've had excellent guest feedback, and the events have grown in popularity as attendees have shared their experience with others on line and by word and mouth. In 2019 we have committed to a long term pledge to hold quiet hours in all of our centres during family events.

COMMUNITY IN ACTION

C&R CARES

Key to supporting our local communities is our C&R Care initiative. Our centres run their own unique charitable programme of fundraising activities for locally selected charities. This year we raised an impressive £340,000, an increase of 8% on 2017, benefiting 190 local organisations and charities.

To launch their 2018 Poppy Appeal, The Mall Luton squeezed a full-size Supermarine Spitfire replica into the centre. Guests stood in awe admiring the iconic British Royal Air Force aircraft. Over £24,000 was raised for the Luton Poppy Appeal through the Poppy stand and Poppy shop at The Mall, which saw the Mall team work closely with the Royal British Legion and volunteers from the local community.

RESPONSIBLE BUSINESS

CONTINUED

We understand that the process of delivering change can have lasting effects on the towns in which we work and their communities. We act in partnership with these communities seeking opportunity for long-term engagement: to consult, explain, listen and be adaptable. We operate in a manner that is consistent with national planning policy and with development plans and frameworks locally.

The views of local people are important and welcomed and we seek consensus support. We do acknowledge that this is not always possible and that some groupings within the community will seek development outcomes that are not aligned with our plans. We are committed to an open dialogue with community interest groups and individuals to reach the best understanding and accommodation that is possible. We will not always fully agree and where this happens will say why.

C&R has formally opposed a planning application for a new out of town retail led development at Newlands Park at Junction 10A of the M1 motorway (also including leisure and office space). The applicant is 2020 Developments, a subsidiary of 2020, owner of Luton Town Football Club. The application was submitted in anticipation of raising funds to support the development of a new football stadium on the Power Court site in the town centre. We are supportive of the new football stadium at Power Court, for which planning permission was granted on 16 January 2019. Our specific, detailed, evidence-based objection is to the retail and leisure town centre uses element of Newlands Park which are advised to be in clear contravention of national planning policy and the Luton Local Plan. We consider that the retail development will be damaging to the town centre as a whole and therefore its role in serving the local community.

"THE MALL IS IN THE HEART OF WALTHAMSTOW AND WALTHAMSTOW IS IN THE HEART OF WALTHAM FOREST. TO HAVE A PARTNER LIKE CAPITAL & REGIONAL WORKING WITH US, WORKING WITH THE LOCAL COMMUNITY, BRINGING THEM IN, RUNNING VARIOUS EVENTS AND SUPPORTING US IN OUR MOST IMPORTANT YEAR CANNOT BE OVERESTIMATED."

MARTIN ESOM, CHIEF EXECUTIVE,
LONDON BOROUGH OF WALTHAM FOREST

A section of the local community principally associated with Luton Town Football Club has characterised our objection to the retail element of the Newlands Park scheme as C&R acting in a way that is contrary to the will of the community of Luton Borough. We are clear that this is not the case. Rather, it is a technical planning dispute which does not compromise our support and commitment to the community as a whole. We are active in supporting community initiatives in Luton through local team members serving as Board members or in other leadership capacities; providing direct financial support; and voluntary work.

Luton Borough Council resolved to grant planning permission for the Newlands Park development on 11 March 2019 and it has been referred to the Secretary of State for Housing, Communities and Local Government as it is a departure from the development plan (Luton Local Plan). C&R, alongside a range of other parties, has requested that the Secretary of State 'call-in' the application for his own decision following a public inquiry conducted by an independent Planning Inspector.

In Walthamstow a small group of objectors and activists opposed our plans to extend the centre to provide 80,000 sq ft of retail and leisure space and c 500 residential units. We submitted a planning application in the first half of 2017 following a full public consultation process including open meetings to understand and address any concerns of the local community. We were successful in obtaining of full planning consent in July 2018 which was not challenged. Our proposals are fully supported by the local authority and GLA. We are comfortable that they entirely align with our commitment to the local community.

COMMUNITY ENGAGEMENT IN NUMBERS

190
CHARITIES SUPPORTED

105
COMMUNITY GROUPS SUPPORTED

4,303
VOLUNTARY HOURS DONATED TO SUPPORTING THE LOCAL COMMUNITY

158
COMMUNITY EVENTS HOSTED

£340,000
RAISED FOR C&R CARES

6
CENTRES ACTIVELY SUPPORT THE BID (BUSINESS IMPROVEMENT DISTRICTS)

£128,000
COMMUNITY FUNDING SPONSORSHIP

9,265
JOBS SUPPORTED BY OUR CENTRES

DIRECTORS

EXECUTIVE DIRECTORS

LAWRENCE HUTCHINGS

CHIEF EXECUTIVE, APPOINTED 2017

Member of Responsible Business Committee

Lawrence joined the Group in 2017 following four years at Blackstone in Australia, two as Managing Director, and has over 20 years' experience in the property industry. Prior to Blackstone, Lawrence was at Hammerson plc for four years, the last three as Managing Director–UK Retail, before which he spent almost seven years at Henderson Global Investors, latterly as Director (Property) European Retail.

STUART WETHERLY

GROUP FINANCE DIRECTOR AND COMPANY SECRETARY, APPOINTED 2019

Member of Disclosure Committee

Stuart joined Capital & Regional as Group Financial Controller in 2012 and took on the additional role of Company Secretary in 2013. Stuart was appointed Acting Group Finance Director in October 2018. Prior to joining Capital & Regional, Stuart was a Director in Deloitte Audit in London and previous to that worked at Johnson Matthey plc having originally qualified as a Chartered Accountant in his first spell with Deloitte LLP.

NON-EXECUTIVE DIRECTORS

HUGH SCOTT-BARRETT

CHAIRMAN

APPOINTED CHAIRMAN 2017 (FIRST APPOINTED 2008)

Chairman of Nominations Committee

Before moving to become Non-Executive Chairman, Hugh was Chief Executive of Capital & Regional from 2008 to 2017. He was previously a member of ABN AMRO's Managing Board serving as Chief Operating Officer and Chief Financial Officer, and before that worked at SBC Warburg and Kleinwort Benson. He was educated both in Paris and at Oxford University. Hugh is the Chairman of GAM Holding AG, a Swiss asset management company, and a Non-Executive director of RBR Group Limited, a privately owned leisure group.

TONY HALES CBE

NON-EXECUTIVE*

APPOINTED 2011

Senior Independent Director, Chairman of Remuneration Committee, member of Audit and Nomination Committees

Tony is currently Chairman of the Greenwich Foundation, Senior Independent Director of International Personal Finance plc and chairs NAAFI Pension Fund Trustees. Tony was previously Chief Executive of Allied Domecq plc, a Non-Executive Director of HSBC Bank plc and Chairman of Workspace Group plc and British Waterways.

*Independent (as per the UK Corporate Governance Code).

WESSEL HAMMAN

NON-EXECUTIVE

APPOINTED 2015

Wessel is the Chief Executive of Clearance Capital Limited, a real estate investment management firm which he co-founded in 2008. Wessel qualified as a Chartered Accountant at KPMG in South Africa and spent ten years in the Investment Banking industry with the FirstRand Group.

IAN KRIEGER

NON-EXECUTIVE*

APPOINTED 2014

Chairman of Audit Committee, member of Nomination and Remuneration Committees

Ian is the Audit Committee Chairman and Senior Independent Director at Safestore Holdings plc and the Audit Committee Chair of Primary Health Properties plc. He is also a Trustee and Chairman of the Finance Committee at Nuffield Trust and Chair of Anthony Nolan. Ian was previously a senior partner and vice-chairman at Deloitte LLP.

LOUIS NORVAL

NON-EXECUTIVE

APPOINTED 2009

Louis was a co-founder, Executive Chairman and Chief Executive of Attfund Limited (one of the largest private property investment companies in South Africa) until the company was sold to Hyprop Investments Limited (a REIT listed on the Johannesburg Stock Exchange) in 2011. Louis is Executive Chairman of Homestead Group Holdings Limited and serves on the board of a number of other companies including Hyprop Investments Limited. He graduated with a BSc (QS) (with distinction) from the University of Pretoria.

LAURA WHYTE

NON-EXECUTIVE*

APPOINTED 2015

Chairman of Responsible Business Committee, member of Audit, Nomination and Remuneration Committees

Laura had a long and successful career with John Lewis Partnership where she served on the Management Board for over ten years, firstly as Registrar and latterly as HR Director. Laura is also Chair of XLVets UK Ltd, a Non-Executive Director of the Defence People and Training Board of the Ministry of Defence, where she is also a member of the People Committee and Non-Executive Director of the British Horseracing Authority. She is a Trustee of The Old Royal Naval College, Greenwich.

SENIOR LEADERSHIP TEAM

1 LAWRENCE HUTCHINGS

Chief Executive

2 STUART WETHERLY

Group Finance Director and Company Secretary

3 VASILIKI ARVANITI

Asset Portfolio Director

Vasiliki Arvaniti joined C&R in 2018 as Director of Asset Portfolio. Vasiliki has over 15 years' experience across different property sectors working for major property companies including Landsec, Hammerson and Lambert Smith Hampton.

4 SARA JENNINGS

Director of Guest and Customer Experience

Sara began her retail career working for House of Fraser in Store Management before joining C&R in 2001. She has held a number of positions within C&R before taking on the role of Director of Guest and Customer Experience. Sara is responsible for the day-to-day management of shopping centres and leads the integration process of newly acquired schemes.

5 JAMES RYMAN

Investment Director

As Investment Director, James is responsible for driving investment performance from our shopping centre portfolio. He joined C&R in 2007 and prior to that qualified as a Chartered Surveyor at Donaldsons Chartered Surveyors where he spent 13 years specialising in all aspects of shopping centre asset management, latterly running the Retail Asset Management team.

6 JOE SWINDELLS

Head of Asset Development

Joe joined C&R in August 2017 and brings to the business expertise and experience in successfully leading significant development and asset management projects in retail, residential and commercial markets having previously worked at NEAT developments, Ballymore and Hammerson. Joe leads the development and project team responsible for delivery of the business' capital expenditure across the portfolio.

7 HELEN MALLOWS

HR Manager

As a long-standing member of the C&R team, Helen leads the people management and office support functions within C&R. As well as ensuring the organisation is fully compliant from an employment perspective, Helen works consistently to improve the employee experience through the implementation of the People Plan, delivery of training and development and the progress of C&R cultural change.

SNOZONE

NICK PHILLIPS

Managing Director, Snozone

Nick joined C&R in 2012 as Snozone's Managing Director. Nick started his career with Aldi, joining them in their embryonic stages in the UK as a regional New Store Openings Manager in the northwest. He then went on to hold a number of positions with Lidl and Whitbread PLC as David Lloyd Leisure's Regional Director for the south of England before becoming their Sales & Operations Director for the UK & Europe.

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

HUGH SCOTT-BARRETT
CHAIRMAN

I am pleased to present Capital & Regional's corporate governance report for 2018.

The primary operational focus of C&R in 2018 has been on the continued roll-out of our Community Shopping Centre strategy. The Board's activities during the year have reflected this with a number of visits to sites and review of investment initiatives and business plans for all our centres.

There have been changes of personnel on the Board with the resignation of Charles Staveley as Executive Director and the resignation of Guillaume Poitrinal as a Non-Executive Director. I would like to thank both Charles and Guillaume for their contribution to the Company and wish them well with their future endeavours.

Stuart Wetherly was appointed as Group Finance Director and Executive Director on 11 March 2019. He will also continue in his role as Company Secretary for the Group.

It has been agreed that a recruitment process for my successor, led by our Senior Independent Director Tony Hales, will begin following the Annual General Meeting in May 2019. I will step down in due course, once my successor is appointed.

The Board remains committed to high standards of corporate governance which it considers to be critical to effective management and to maintaining investor confidence. I am satisfied that our approach, as embedded throughout our business, delivers this and will continue to evolve and improve to keep pace with changes in best practice and regulation, including the adoption of the 2018 UK Corporate Governance Code.

Hugh Scott-Barrett
Chairman

CORPORATE GOVERNANCE REPORT
CONTINUED

COMPLIANCE STATEMENT

Compliance with the UK Corporate Governance Code

The Company has throughout the year ended 30 December 2018, complied with the provisions of the 2016 UK Corporate Governance Code as they apply to smaller (i.e. non-FTSE 350) companies with the exception that Hugh Scott-Barrett was not considered independent on his appointment as Chairman of the Company on 13 June 2017, having previously served as the Chief Executive.

Compliance with the Disclosure and Transparency Rules

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, except for those required under DTR 7.2.6 which are contained in the Directors' Report.

ROLE OF THE BOARD

The Board has a collective responsibility to promote the long-term success of the Company for its shareholders. Its role includes reviewing and approving key policies and decisions, particularly in relation to strategy and operating plans, governance and compliance with laws and regulations, business development including major investments and disposals and, through its Committees, financial reporting and risk management.

The Board's agenda is managed to ensure that shareholder value and governance issues play a key part in its decision-making and there is a schedule of key matters that are not delegated. The responsibilities, which the Board does delegate, are given to committees that operate within specified terms of reference. The Executive Directors take operational decisions and also approve certain transactions within defined parameters.

An Executive Committee, formed of the Executive Directors and other members of senior management as required on specific issues, meets on a regular basis and deals with all major decisions not requiring full Board approval or authorisation by other Board committees. Minutes of these meetings are circulated to the Board. If decisions are not unanimous the matter is referred to the Board for approval.

The Company also maintains a Disclosure Committee, formed of the Chairman, Chief Executive and Group Finance Director, to which it has delegated responsibility for monitoring the Company's requirements for disclosure of Inside Information. The Committee meets as and when required by specific events. The Committee is quorate with two members. Where the Committee concludes that specific restrictions on share dealings need to be enforced this is immediately communicated to the Board and other relevant individuals. Minutes of all meetings are also circulated to the Board.

Board meetings are scheduled to coincide with key events in the Company's financial calendar, including interim and final results and the AGM. Other meetings during the year will review the Company's strategy and budgets for the next financial year and the Company's key risks and financial and operating performance.

BOARD COMMITTEES

Audit Committee Meets at least three times per year Further information on pages 44-45	**Chairman** – Ian Krieger **Members** – Tony Hales, Laura Whyte
Disclosure Committee Meets as required	**Chairman** – Lawrence Hutchings **Members** – Hugh Scott-Barrett, Stuart Wetherly
Executive Committee Meets weekly	**Chairman** – Lawrence Hutchings **Members** – James Ryman, Stuart Wetherly
Nomination Committee Meets at least once a year Further information on page 43	**Chairman** – Hugh Scott-Barrett **Members** – Tony Hales, Ian Krieger, Laura Whyte
Remuneration Committee Meets at least twice per year Further information on pages 46-63	**Chairman** – Tony Hales **Members** – Ian Krieger, Laura Whyte
Responsible Business Committee Meets at least twice per year Further information on pages 30-34	**Chairman** – Laura Whyte **Members** – Lawrence Hutchings

Terms of reference for all Committees are available on the Company's website.

BOARD BALANCE AND INDEPENDENCE

Details of the Directors including their qualifications, experience and other commitments are set out on pages 36 to 37. The Board currently comprises the Chairman, two Executive Directors and five Non-Executive Directors.

The Board reviews the independence of its Non-Executive Directors on an annual basis. Hugh Scott-Barrett is not considered independent as he previously served as Chief Executive of the Company within the last five years and has served on the Board for more than nine years from the date of his first appointment. Louis Norval and Wessel Hamman are not considered independent as they act as representatives of the Parkdev Group of companies, a significant shareholder of the Company. Louis Norval has served on the Board for more than nine years from the date of his first appointment. The Board has concluded that all other Non-Executive Directors continue to demonstrate their independence.

The Company has well established differentiation between the roles of Chairman and Chief Executive and written terms of reference are available on the Group's website. Tony Hales, as Senior Independent Director, undertakes regular reviews to ensure the distinction of roles and responsibilities remains appropriate.

In the Company's view, the breadth of experience and knowledge of the Chairman and the Non-Executive Directors and their detachment from the day-to-day issues within the Company provide a sufficiently strong and experienced balance with the executive members of the Board.

INFORMATION AND PROFESSIONAL DEVELOPMENT

The Board schedules five meetings each year as a minimum, and arranges further meetings as the business requires. Prior to Board meetings, each member receives, as appropriate to the agenda, up-to-date financial and commercial information, management accounts, budgets and forecasts, details of potential or proposed acquisitions and disposals, cash flow forecasts and details of funding availability.

Induction training is given to new directors and consists of an introduction to the Board and senior management, visits to our shopping centres, an induction pack, a briefing on governance requirements and access to independent advisers. Ongoing training requirements are reviewed on a regular basis and undertaken individually, as necessary.

VISITING THE BUSINESS

Getting out and about in the business is important for the Board as this enables the Non-Executive Directors to see first-hand how our assets are run and, importantly, meet local teams. This provides an experience of the business which cannot be replicated in the boardroom and also enables the Directors to engage with teams at all levels in the business. Such activities give a real insight into how the culture and values of the business work in a day-to-day setting. The Board generally undertakes one or two visits to operational locations during the year and holds at least one Board meeting at a C&R location other than the Support Office.

BOARD AND COMMITTEE MEETINGS

The number of meetings of the Board and its Committees during 2018, and individual attendance by Directors, is set out below.

Board meeting attendance in 2018

	Scheduled	Total
Number of meetings	**6**	**6**
H Scott-Barrett	6/6	6/6
L Hutchings	6/6	6/6
C Staveley (resigned 15 August 2018)	5/5	5/5
T Hales	6/6	6/6
W Hamman	6/6	6/6
I Krieger	6/6	6/6
L Norval	6/6	6/6
G Poitrinal (resigned 31 October 2018)	2/5	2/5
L Whyte	6/6	6/6

Other committee meeting attendance in 2018

	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
Number of meetings	**3**	**4**	**4**	**4**
H Scott-Barrett			4	
L Hutchings				3
I Krieger	3	4	4	
T Hales	3	4	4	
L Whyte	3	4	4	4

CORPORATE GOVERNANCE REPORT
CONTINUED

BOARD EVALUATION

A formal process is undertaken for the annual evaluation of the performance of the Board, its Committees and each Director. This process is led by the Chairman and each Director completes a detailed questionnaire covering:

- performance of themselves as an individual and of the Board together as a unit;
- performance of the Chairman;
- processes which underpin the Board's effectiveness (including consideration of the balance of skills, experience, independence and knowledge of the persons on the Board);
- strategy; and
- performance of the Board's sub-committees.

The completed questionnaires are collated by the Company Secretary and presented to the Board for a subsequent discussion. The Board discussed the results of the 2018 evaluation at its first meeting of 2019. This year's review found that the performance of the Board and its Committees continued to be effective in dealing with both day-to-day and ongoing strategic issues and that sufficient time and debate was allocated to strategy which received a high level of support. The established Board and Committee structure ensured that the governance requirements of the business were met.

The Chairman also meets as necessary, but at least once each year, with the Non-Executive Directors without the Executive Directors present. The Non-Executive Directors meet without the Chairman in order to appraise his performance on an annual basis. This meeting is chaired by the Senior Independent Director. The Chairman evaluates the performance of the Chief Executive having received input from the other Directors. The Chief Executive evaluates the performance of the other Executive Directors. Subsequently, the results are discussed by the Remuneration Committee and relevant consequential changes are made if required.

SHAREHOLDER RELATIONS

The Company encourages regular dialogue with its shareholders at the AGM, corporate functions and property visits. The Company also attends roadshows, participates in sector conferences and, following the announcement of final and interim results, and throughout the year, as requested, holds update meetings with institutional investors. All the Directors are accessible to all shareholders, and queries received verbally or in writing are addressed as soon as possible.

Announcements are made to the London Stock Exchange, the Johannesburg Stock Exchange and the business media concerning business developments to provide wider dissemination of information. Registered shareholders are sent copies of the Annual Report and relevant circulars. The Group's website (capreg.com) is kept up-to-date with all announcements, reports and shareholder circulars.

FINANCIAL AND BUSINESS REPORTING

Please refer to:

- page 68 for the Board's statement on the Annual Report and Accounts being fair, balanced and understandable;
- page 29 for the statement on the status of the Company and the Group as a going concern; and
- the Strategic Report on pages 2 to 34 for an explanation of the Company's business model and the strategy for delivering the objectives of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound system of internal control and risk management. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance.

An ongoing process is in place for identifying, evaluating and managing risk and the Board is satisfied that this accords with relevant corporate governance guidance. Key features of the Group's system of internal control are as follows:

- Defined organisational responsibilities and authority limits. The day-to-day involvement of the Executive Directors in the running of the business ensures that these responsibilities and limits are adhered to;
- Financial and operating reporting to the Board including the preparation of budgets and forecasts, cash management, variance analysis, property, taxation and treasury reports and a report on financing. Year-end and interim financial statements are reviewed by the Audit Committee and discussed with the Group's Auditor, Deloitte, before being submitted to the Board for approval;
- Review and approval of the Group's risk matrix twice a year by senior management, the Audit Committee and the Board as detailed in the Managing Risk section of the Strategic Report;
- Anti-bribery and corruption policies which are communicated to all staff and for which compliance reviews are conducted on an annual basis; and
- The Group's whistleblowing policy – see the Audit Committee report for further details.

Steps are continuously being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

During the year the Board, through the Audit Committee, reviewed the effectiveness of the material financial, operational and compliance controls that mitigate the key risks (as disclosed in the Managing Risk section). This review concluded that all such material controls were operating effectively. A statement of the Directors' responsibilities regarding the financial statements is on page 68.

NOMINATION COMMITTEE

The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both Executive and Non-Executive appointments. On an at least annual basis, the Nomination Committee also considers succession planning for the Board.

In the second half of 2016 the Committee, arising from its annual review of succession planning, commenced the search for a new Chief Executive and Chairman. This process culminated in the announcement on 8 February 2017 that, effective from 13 June 2017, Lawrence Hutchings would be appointed as Chief Executive with Hugh Scott-Barrett transitioning from Chief Executive to the Non-Executive Chairman. While fully cognisant of the 2016 UK Code of Corporate Governance recommendations, it was the unanimous conclusion of the Committee that in the specific circumstances, Hugh Scott-Barrett was the most appropriate candidate for the role of Non-Executive Chairman, given the critical need for experience and continuity at a time when the Board was undergoing significant change. The Chairman and the Nomination Committee agree that it is now the appropriate time to seek a successor and the Committee will focus in 2019 on managing an orderly transition by recruiting a new Chair. Further announcements will be made in due course.

Following the resignation of Charles Staveley as Group Finance Director, Stuart Wetherly was appointed on an interim basis as Acting Group Finance Director on 1 October 2018. Stuart was appointed Group Finance Director and Executive Director on 11 March 2019. He will also continue in his role as Company Secretary for the Group.

Guillaume Poitrinal resigned from the Board on 31 October 2018 due to the demands of other business commitments. While Guillaume's appointment was in a personal capacity he was not deemed independent due to being Chairman of ICAMAP Investments S.àr.l, a significant shareholder in the Company. The Board has taken the decision to not appoint a replacement.

The Committee has considered the new requirements under the 2018 UK Corporate Governance Code in relation to workforce engagement. After considering the methods outlined, Laura Whyte will be appointed as the designated Non-Executive Director for workforce engagement. The Committee will focus on further defining and tailoring the role and responsibilities in line with C&R's culture during the first half of 2019.

Diversity Policy

The Nomination Committee, and the Board, recognises the importance of diversity, is supportive of the Davies Report and subsequent Hampton-Alexander Report recommendations and seeks to ensure that all available suitable candidates are taken into account when drawing up shortlists of candidates for possible appointments. The priority of the Committee and the Board is to ensure that the Group continues to have the strongest and most effective Board possible, and therefore all appointments to the Board are made on merit against objective criteria.

While the Group falls below the current threshold for reporting under the Gender Pay Gap Regulations, a review of the Group's position was completed in 2018. The results of the review were discussed by the Board and recommendations arising from the report have been adopted. A review will be completed annually to ensure progress continues to be made in reducing the gender pay gap.

AUDIT COMMITTEE REPORT

GOVERNANCE

IAN KRIEGER
CHAIRMAN OF THE AUDIT COMMITTEE

The Audit Committee is chaired by Ian Krieger, a Chartered Accountant who has recent and relevant financial experience as required by the 2016 UK Corporate Governance Code. The other members of the Committee are Tony Hales and Laura Whyte. Charles Staveley, the Group Finance Director, attended the two Audit Committee meetings held prior to his resignation in August 2018. Stuart Wetherly, as Acting Group Finance Director attended the final meeting of the year. Other senior members of Finance and representatives from Deloitte LLP, the Company's external Auditor, attended meetings by invitation. The Company's Chairman and Chief Executive also attended meetings during the year by invitation.

RESPONSIBILITIES

The Committee's role is to assist the Board in discharging its duties and responsibilities for financial reporting, internal control and the appointment and remuneration of an independent external Auditor. The Committee is responsible for reviewing the scope and results of audit work and its cost effectiveness, the independence and objectivity of the Auditor and the Group's arrangements on whistleblowing.

REPORT ON THE COMMITTEE'S ACTIVITIES DURING THE YEAR

The Committee has a schedule of events which detail the issues to be discussed at each of the meetings of the Committee in the year. The schedule also allows for new items to be included into the agenda of any of the meetings.

During the year, the Committee met three times and discharged its responsibilities by:

a. Reviewing the Group's draft Annual Report and financial statements and its interim results statement prior to discussion and approval by the Board;
b. Reviewing the continuing appropriateness of the Group's accounting policies;
c. Undertaking a full tender process in respect of external audit services in compliance with legislation and The Financial Reporting Council (FRC) guidance on best practice;
d. Reviewing Deloitte LLP's plan for the 2018 Group audit and approving their terms of engagement and proposed fees;
e. Reviewing reports on internal control reviews on payroll and commercial income matters prepared by management;
f. Considering the effectiveness and independence of Deloitte LLP as external Auditor and recommending to the Board their reappointment;
g. Reviewing management's biannual Risk Review report and the effectiveness of the material financial, operational and compliance controls that help mitigate the key risks;
h. Reviewing the effectiveness of the Group's whistleblowing policy;
i. Reviewing and updating the Group's policy for the award of non-audit work to its external Auditor;
j. Considering management's approach to the viability statement in the 2018 Annual Report;
k. Meeting with the responsible individuals from the Group's independent valuers, CBRE Limited and Knight Frank LLP to review and challenge their valuations of the Group's investment properties;
l. Reviewing compliance with the Criminal Finances Act, including the Group's approach to prevention of the facilitation of tax evasion and the Group's policy and provision of training;
m. Reviewing, responding and concluding a request for further information regarding the Annual Report process from the FRC Corporate Governance & Reporting Division, in relation to specific disclosures relating to the 2017 Annual Report. The review conducted by the FRC was based solely on the Group's published report and accounts and does not provide any assurance that the report and accounts are correct in all material respects; and
n. Carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee.

The Audit Committee has reviewed the contents of this year's Annual Report and Accounts and advised the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

During the year, the Committee considered key accounting matters and judgements in respect of the financial statements relating to:

- **Investment property valuation** – At 30 December 2018 the value of the Group's investment property assets was £855.2 million including its interest in the Kingfisher Centre, Redditch (see Note 10b of the financial statements for further details). The valuation of investment property is inherently judgemental and involves a reliance on the work of independent professional qualified valuers. During 2018 the Audit Committee met with the valuers, considered their independence and qualifications and reviewed and challenged the valuations for both the year-end and interim results dates to understand the basis for them and the rationale for movements in the context of both the individual properties and the general property investment market.

- **Going concern and covenant compliance** – The Committee reviewed, challenged and concluded upon the Group's going concern review and consideration of its viability statement including giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets and projections that underpin the review and a review of compliance with key financial covenants.
- **Impairment of inter-company investments and receivables** – Management perform an annual review of inter-company investments and receivables to determine the values to be maintained in the Plc Company only and individual subsidiary balance sheets. The Committee considered the movement over the year alongside the key assumptions, particularly where balances were held with reference to value in use as opposed to net assets of the underlying entity.

AUDITOR ROTATION AND TENDER PROCESS

Deloitte LLP has been Auditor of Capital & Regional plc since 1998 and, prior to this year, the audit was last put out to tender in 2009 when Deloitte was reappointed. Considering this and the Committee's commitment to put the audit out to tender at least every ten years, a tender process was completed in 2018 for the audit of the year ending 30 December 2018. The Committee undertook a full tender process in respect of external audit services in compliance with legislation and FRC guidance on best practice, in particular ensuring independence in respect of potential audit firms.

Three firms, including Deloitte LLP, were invited to take part in the tender process. During the tender process, each firm was given access to members of the Group's senior management and presented to the Audit Committee. The tendering firms were judged against objective criteria determined in advance of the process, together with the findings and conclusions of published inspection reports on the audit firms. Whilst the Committee appreciated the quality of the proposals presented by all the tendering firms, it considered that the submission and team from Deloitte LLP best met the predefined criteria it had set. It was therefore recommended to the Board that Deloitte LLP be reappointed as the Company's Auditor commencing with the audit of the financial year ending 30 December 2018.

Deloitte LLP, under EU guidance for mandatory Auditor rotation, can serve as Auditor until the year ending 30 December 2023.

In accordance with best practice and professional standards, the external Auditor is required to adhere to a rotation policy whereby the audit engagement partner is rotated at least every five years. The 2017 audit was the fifth and final year of Georgina Robb's tenure as lead audit engagement partner. Matthew Hall was selected to be the new lead audit engagement partner and 2018 is the first year that Matthew has acted as lead audit engagement partner.

OVERSIGHT OF THE EXTERNAL AUDITOR

The Committee reviews the audit plan for the year and subsequently considers how the Auditor performed in relation to the plan. They consider the quality of written and oral presentations and the overall performance of the lead audit partner.

The Audit Committee is responsible for reviewing the cost-effectiveness and the volume of non-audit services provided to the Group by its external Auditor. The Group does not impose an automatic ban on the Group's external Auditor undertaking non-audit work, other than for those services that are prohibited by regulatory guidance. Instead, the Group's aim is always to have any non-audit work involving the Group's external Auditor carried out in a manner that affords value for money and ensures independence is maintained by monitoring this on a case-by-case basis.

The Group's policy on the use of its external Auditor for non-audit services, which was reviewed during the year, precludes the external Auditor from being engaged to perform valuation work, accounting services or any recruitment services or secondments. The policy also stipulates that for any piece of work likely to exceed £20,000 at least one other alternative firm provide a proposal for consideration.

The only fees paid to Deloitte LLP during 2018, other than for their year-end audit, was £40,000 for their review of the Group's interim statements for the six months to June 2018 and £20,000 for a consultancy project where Deloitte were considered best placed to assist given their market-leading expertise.

INTERNAL AUDIT

The Group does not have a dedicated stand-alone internal audit function but manages an ongoing process of control reviews performed either by staff, independent of the specific area being reviewed, or by external consultants when deemed appropriate. During the year the Committee reviewed reports on payroll, adherence to the Group's travel and expenses policy, and an assessment of material control effectiveness.

While the Committee will continue to review the position, at present it continues to believe that the current size and complexity of the Group does not justify establishing a stand-alone internal audit function.

WHISTLEBLOWING

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal acts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisers. The policy provides a mechanism to report any ethical wrongdoing or malpractice or suspicion thereof.

Ian Krieger
Chairman of the Audit Committee

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

TONY HALES CBE
CHAIRMAN OF THE REMUNERATION COMMITTEE

INFORMATION NOT SUBJECT TO AUDIT: ANNUAL STATEMENT

Dear Shareholder

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 30 December 2018.

We last presented our remuneration policy to shareholders at our Annual General Meeting in 2016 when we received strong support with a vote in favour of 89.5%. This policy covers the three-year period until the AGM in 2019 and we applied it consistently during 2018. The 2016 Remuneration Policy is published and available on our website for reference at https://capreg.com/media/2771/cr-remuneration-policy-2016-2018.pdf.

The Committee will present a revised remuneration policy to shareholders for approval for a three-year period at the 2019 AGM. This follows on from a review of the policy undertaken by the Committee which believes that there is a divergence between the existing remuneration arrangements and the Company's remuneration principles that are intended to ensure alignment to the strategy of the Company and to latest corporate governance best practice.

BOARD CHANGES

As shareholders will be aware, there were two changes to the Board during the year. Charles Staveley stepped down from the Board as an Executive Director on 15 August 2018 and on 31 October 2018, Guillaume Poitrinal stepped down from his position as a Non-Executive Director. These changes impacted the remuneration of the individuals concerned, however, the Committee ensured that remuneration packages were in line with the policy agreed by shareholders.

Charles Staveley continued to be employed by the Company on a full-time basis until 31 December 2018 on the same terms as he was employed as a Director. An exit payment of £299,854, was made to Charles and full details of the payment are outlined in the report. For the purposes of the LTIP, Charles was treated as a good leaver with his awards pro-rated relevant to the date of ceasing to be employed.

Stuart Wetherly was appointed as interim Group Finance Director on 1 October 2018 and was appointed as Group Finance Director and Executive Director on 11 March 2019. He will also continue in his role as Company Secretary for the Group. His remuneration terms are in line with our Policy and are fully disclosed in the report.

2018 COMPANY PERFORMANCE AND BONUS TARGETS

In setting annual bonus targets for 2018 the Committee put a weighting of 80% on Company financial and operating targets with the emphasis on metrics, including Adjusted Profit, Net Rental Income and cost control. 20% of bonus reflects personal objectives.

2018 was a good year of operational performance by the business despite a very challenging operating environment, with the Company recording Adjusted Profit growth of 4.8%, an increase of 3.1% on a per share basis. The Company's strategy continues to focus on maintaining a strong income return, and this is a major driver of the remuneration policy.

The Committee determined that the bonus pay-out for the Chief Executive was 52.5% of the maximum opportunity salary and 47.5% for Charles Staveley as Group Finance Director was fair and reasonable given the overall performance of the business and the contribution from the individuals when taking into account the significant external economic challenges facing the market and retailers. No discretion was exercised in the assessment of the financial targets that formed part of the bonus for 2018.

Further detail is provided in the remuneration report for 2018.

LONG-TERM INCENTIVE PLAN (LTIP)

During the year the performance period for the 2015 LTIP award ended. No awards qualified for vesting as the share price (adjusted for cumulative dividends and distributions paid in the performance period) was below the 65p threshold.

PROPOSED CHANGES TO THE REMUNERATION POLICY IN 2019

During 2018 a review of our incentive arrangements was undertaken, to ensure alignment with the Group's strategy, and that as a package, they continue to provide the appropriate balance of incentivisation and challenge. The results of this helped inform the process for renewing our Remuneration Policy ahead of the 2019 AGM.

Following the review and consultation with management and shareholders, the Committee is proposing a new and simplified incentive structure which is designed to be a transitional arrangement, to be reviewed in three years' time as the current levels of economic uncertainty decline and there is more clarity on the future of the market.

Due to the macro and micro-economic challenges facing the Company the Committee believes that the incentive structure needs to be more responsive to market conditions and has the ability to align with any required adjustments to a more fluid Company strategy over the next three years.

The primary area where the Committee believes there is a divergence from the principles is in relation to the ability to set and calibrate performance targets for the LTIP that would remain valid across the performance period. Given the current state of the retail sector, further exacerbated by the considerable headwinds driven by the challenges around Brexit, the Committee believes that it is unrealistic to set precise performance targets three years into the future that would provide the right balance of incentive and stretch.

Set out below is a summary of the key changes to the Remuneration Policy:

- The Annual Bonus and Long Term Incentive Plan have been combined into a Combined Incentive Plan (CIP);
- The CIP is an annual award with one third paid in cash after one year and two thirds of the award deferred into shares. The shares will vest in three tranches in years 3, 4 and 5 following grant, with each tranche subject to an additional relative Total Shareholder Return underpin over a three-year performance period;
- Total incentive value has been reduced from 350% to 300% of base salary for the Chief Executive and from 300% to 250% for Executive Directors;
- Post-cessation holding requirements have been introduced for Executive Directors; and
- Shareholding guidelines have been equalised for all Executive Directors at 200% of base salary.

The annual target setting allows for more accurate and refined calibration of targets. The annual nature of the performance targets will also allow the Committee flexibility to ensure key short-term strategic goals can be included as the Company reacts to the changing retail environment. The new structure will also provide appropriate levels of retention for Executive Directors in a challenging and competitive market with high levels of uncertainty across the sector. The new structure will also result in a reduction of the total maximum incentive package available for Executive Directors. Given the greater focus on shorter term performance, the Committee will ensure that targets remain challenging and that full pay-out will only be earned for exceptional performance. All performance targets relating to the CIP will be fully disclosed at the end of the financial year to which they relate.

EXECUTIVE DIRECTOR SALARY INCREASES

The Committee approved an increase in the Chief Executive's salary from £383,000 to £425,000. Prior to appointment, Lawrence was untried as a public company Chief Executive and his salary was discounted to reflect this. The increase will bring Lawrence Hutchings' base salary to the same level of his predecessor and in line with the highly competitive real estate market in which the Company competes for and retains talent. The increase reflects the importance of retaining Lawrence to the business, the impact both internally and externally he has had since joining in 2017 and his highly marketable skills as the Chief Executive of a listed real estate company. Despite the increase to base salary, it should be noted that the total value of the remuneration of the Chief Executive under the new policy will not exceed previous arrangements under the old policy, as detailed on page 54.

The Committee also determined that the salary of Stuart Wetherly on appointment as Group Finance Director on 11 March 2019 would be £275,000 per annum.

Salary increases are normally aligned to the average increase awarded to the wider workforce; however, increases may be above this level if there is an increase in the scale, scope or responsibility of the role or to allow the basic salary of newly appointed Executives to move towards market norms as their experience and contribution increases. Subject to shareholder approval of the new policy at the AGM, going forward the maximum increase applicable in any year will be capped at 10% of base salary.

An increase of 2% has been awarded to all employees, applied from 1 January 2019. The same 2% increase has been applied to the base fees paid to the Chairman and Non-Executive Directors.

CORPORATE GOVERNANCE REFORMS

During the year the new UK Corporate Governance Code (2018 Code) was published. Compliance with the new regulations and the 2018 Code is effective for financial years beginning on or after 1 January 2019 and will be reported on by the Company in the 2019 Annual Report. As part of its work-stream, the Committee is reviewing these new areas and how it plans to address them. The Committee has also reviewed and amended its terms of reference to reflect the new requirements

COMMITTEE AIMS

Our aim as a Committee continues to be to ensure we recruit and retain talented individuals who are motivated to deliver outperformance for shareholders receiving a fair base pay with potential for significant rewards on delivering strong shareholder returns.

Tony Hales CBE
Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT

POLICY

DIRECTORS' REMUNERATION POLICY

This part of the report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Act").

The previous Remuneration Policy, approved in 2016, is published and available on the Company's website at https://capreg.com/media/2771/cr-remuneration-policy-2016-2018.pdf.

REMUNERATION PHILOSOPHY AND PRINCIPLES

Our principles continue to be to maintain a competitive remuneration package that will attract, retain and motivate a high quality team, avoid excessive or inappropriate risk taking and align their interests with those of shareholders. These principles are designed to:

- Drive accountability and responsibility
- Provide a balanced range of incentives which align both short-term and long-term performance with the value/returns delivered to shareholders
- Apply demanding performance conditions to deliver sustainable high performance; setting these conditions with due regard to actual and expected market conditions and business context
- Ensure that a large part of potential remuneration is delivered in shares in order that executives are expected to build up a shareholding themselves and therefore they are directly exposed to the same gains or losses as all other shareholders
- Take account of the remuneration of other comparator companies of similar size, scope and complexity within our industry sector
- Keep under review the relationship of remuneration to risk. The members of the Remuneration Committee are also members of the Audit Committee
- Ensure that the incentive structure does not raise any environmental, social or governance risks through compliance with our Responsible Business ethics and standards of operating

HOW THE COMMITTEE SETS REMUNERATION

<table>
<tr><td>Salary</td><td rowspan="3">Fixed compensation</td><td rowspan="3">Median</td><td rowspan="4">Total = Median or above for above Median performance</td></tr>
<tr><td>Pension</td></tr>
<tr><td>Benefits</td></tr>
<tr><td>Combined Incentive Plan</td><td>Performance based compensation</td><td>Median or above for above Median performance</td></tr>
</table>

The Committee benchmarks remuneration against our selected comparator group companies (see page 52) and seeks to ensure that Directors' fixed compensation is around the median in the comparator group.

The Committee's view is that by putting an emphasis on performance related compensation, executives are encouraged to perform to the highest of their abilities. The performance based compensation is targeted to be at median or above, for above median performance, within the comparator group to ensure that outstanding relative performance is appropriately rewarded. The overall effect is that our total compensation is at median or above, for above median performance.

This section of the report contains details of the Directors' Remuneration Policy that will govern the Company's future remuneration payments. The Policy is intended to apply for three years from the approval of the Policy. The Policy described in this part is subject to approval by shareholders at the Company's AGM on Thursday, 16 May 2019. The Policy will be displayed on the Company's website, in the Investors section, immediately after the 2019 AGM.

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Base salary ■ To aid recruitment, retention and motivation of high quality people ■ To reflect experience and importance of role	Reviewed annually effective 1 January to reflect: ■ general increases throughout the Company or changes in responsibility or role; and benchmarking against comparator group to ensure salaries are about the median level and market competitive. ■ Salary increases will normally be aligned to the average increase awarded to the wider workforce. ■ Increases may be above this level if there is an increase in the scale, scope or responsibility of the role or to allow the basic salary of newly appointed Executives to move towards market norms as their experience and contribution increases.	The maximum increase applicable in any year will be capped at 10% of base salary.	n/a
Pension ■ To help recruit and retain high quality people ■ To provide an appropriate market competitive retirement benefit	The Company does not operate a defined benefit pension scheme, all pension benefits are paid either to defined contribution pensions schemes of each Executive Director's choice or as a cash supplement.	Executive Directors are eligible to receive a pension allowance equivalent to up to 15% of basic salary. Lawrence Hutchings receives a pension allowance of 15% of basic salary (reduced from the 20% received by his predecessor). Stuart Wetherly will receive a pension allowance of 8% of basic salary, increased from 7.5% received prior to appointment as an Executive Director and which is more in line with the pension contribution for the UK workforce For new appointments, the Committee will ensure that pension contributions are in line with that of the workforce.	n/a
Benefits ■ To aid recruitment and retention ■ To provide market competitive benefits	The Company offers a package to Executive Directors including: ■ private medical insurance; ■ critical illness cover; ■ life insurance; ■ permanent health insurance; and ■ holiday and sick pay. Benefits are brokered and reviewed annually.	no maximum	n/a

DIRECTORS' REMUNERATION REPORT

POLICY CONTINUED

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Combined Incentive Plan (CIP) ■ To incentivise delivery of short-term business targets and individual objectives based on annual KPIs ■ To recognise performance whilst controlling costs in reaction to the market context or company events ■ To reinforce delivery of long-term business strategy and targets ■ To align participants with shareholders' interests ■ To retain Directors over the longer term	The plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated Company strategy. One third of the award is paid in cash after one year. Two thirds of the award is deferred into shares. Deferred shares will vest in three equal tranches in years three, four and five and will be subject to the achievement of a relative Total Shareholder Return (TSR) underpin. Vested deferred shares will be subject to an additional holding period to the 5th anniversary of the date of grant. Upon vesting, sufficient shares can be sold to pay tax. Up to 100% of deferred shares will lapse if median relative TSR performance against the peer group is not achieved. Malus and Clawback provisions apply such that the Committee has the discretion to reduce or cancel any awards that have not been exercised, in any of the following situations: ■ C&R's financial statements or results being negatively restated due to the Executive's behaviour; ■ A participant having deliberately misled management or the market regarding Company performance; ■ A participant causing significant reputational damage to the Company; or ■ A participant's actions amounting to serious / gross misconduct. ■ The discovery that any information used to determine the bonus and/or the number of plan shares placed under a share award relating to a bonus award was based on error, or inaccurate or misleading information; and/or ■ Failure of risk management; and/or ■ Corporate failure. In line with UK corporate governance best practice, the Committee will retain the discretion to adjust the payment and vesting outcomes (both upwards and downwards) under the CIP to reflect the overall corporate performance and shareholder experience. The Committee retains the discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate.	The plan provides a combined annual awards of up to 250% of salary for Executive Directors / 300% for the Chief Executive. Targets calibrated so maximum pay-out represents exceptional performance.	Performance targets set annually based on a 100% Group financial and strategic performance targets. 2019 objectives will be weighted 80% on financial performance and 20% strategic and operational measures. Financial metrics may typically include metrics such as profit, net rental income and cost management. Operational and strategic metrics may include metrics such as footfall and strategy implementation. The annual nature of the targets will allow the Company to link them directly to Company strategy in a challenging macro-economic environment and ensure that the remuneration principles agreed by the Committee will be met.

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Executive shareholding ■ To support alignment of Executive Directors with shareholders	All Executive Directors are expected to build a shareholding to at least 2 x basic annual salary value based on current market value or the aggregate purchase price of the shares over a five-year period. Deferred or other unvested share awards not subject to performance conditions can count towards the guideline in line with corporate governance best practice. There is a 200% base salary post-cessation of employment shareholding requirement for year one, reduced to a 100% base salary shareholding requirement for year two.	n/a	n/a
Non-Executive Director Remuneration ■ To reflect experience and importance of role	The Chairman and Non-Executive Directors fees are set by the Board taking into account the time commitment, responsibilities, skills and experience and roles on Board Committees. The fees are reviewed annually. Details of the fees can be found on page 56. Individuals who are members of both the Audit and Remuneration Committees receive an additional fee of £5,000 per annum. The Senior Independent Director receives an additional fee of £5,000 per annum. Non-Executive Directors do not receive any variable remuneration element or receive any other benefits. Non-Executive Directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties	n/a	n/a

NOTES TO THE POLICY TABLE

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the policy set out above, or (ii) at a time when a previous policy, approved by the Remuneration Committee was in place provided the payment is in line with the terms of that policy, or (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company.

CHANGES FROM THE LAST POLICY

Set out below are a summary of the changes from the previous Remuneration Policy:

- Introduction of a maximum increase of 10% for base salary for Executive Directors. This change provides clarity to shareholders and limits significant salary increases for the Executive Directors.
- Reduction in maximum pension contribution from 20% to 15% base salary for Executive Directors and new directors' pension in line with the wider workforce. This change has brought the pension in line with the latest UK Corporate Governance Code and investor sentiment.
- Combination of the Annual Bonus and Long Term Incentive Plan into a Combined Incentive Plan and reduction in overall maximum opportunity from 350% to 300% of base salary. This change was implemented after a review and shareholder consultation, to allow for the incentive structure to be aligned to remuneration principles and the strategic objectives of the Company.
- Introduction of a post-cessation holding period to align the Policy with UK Corporate Governance requirements

DIRECTORS' REMUNERATION REPORT

POLICY CONTINUED

DISCRETION

The Committee has discretion in several areas of Policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

EMPLOYEE CONTEXT

All permanent employees of the Group, including Executive Directors, receive a basic remuneration package including basic salary, private medical insurance, travel insurance, income protection, critical illness cover and life assurance. For all permanent employees below Board level, the Company pays pension contributions of between 4% - 8% into either a Group Pension Scheme or individual employees' own pension scheme.

The Committee ensures that employees' remuneration across the Company is taken into consideration when reviewing executive remuneration policy although no direct consultation is performed. The Committee reviews internal data in relation to staff remuneration and is satisfied that the level is appropriate.

COMPARATOR GROUP

In the review of Remuneration Policy that the Company undertook, with assistance from PwC LLP, in 2018 the below comparator group was used. The relative size of Capital & Regional in comparison to the constituents was factored into the benchmarking exercise performed. In addition to the Companies listed below consideration was also given to the upper quartile benchmarks for the FTSE Small Cap.

The comparator group is used as a guide to set parameters and in this context is only one of a number of factors taken into account when determining the level and elements of remuneration policy.

- A & J Mucklow Group Plc
- Assura plc
- Big Yellow Group Plc
- Capital & Counties Properties Plc
- Countrywide Plc
- Derwent London Plc
- Foxtons Group Plc
- Grainger Plc
- Great Portland Estates Plc
- Hammerson Plc
- Hansteen Holdings Plc
- Helical Bar Plc
- Intu Properties Plc
- Landsec Group Plc
- London & Associated Properties Plc
- LondonMetric Property Plc
- LSL Property Services Plc
- McKay Securities Plc
- Safestore Holdings Plc
- Savills Plc
- Segro Plc
- Shaftesbury Plc
- St. Modwen Properties Plc
- The British Land Company Plc
- U and I Group PLC
- Unite Group Plc
- Workspace Group Plc

RECRUITMENT OF EXECUTIVES

New Executive Directors will receive a remuneration package that will reflect the Company's remuneration policy within the parameters outlined. In certain circumstances, such as an internal promotion, an appointment may be at a salary level discount to reflect experience at that point; the Committee may increase it over time on the evidence of performance achievement and market conditions. All new Executive Directors' service agreements will include mitigation of the payment of notice as standard.

The maximum level of sign on awards paid to new joiners will be 100% of salary to reflect the new incentive structure and the potential incentive gap depending on when an individual joins the Board of the Company. This excludes amounts paid to buy out individuals from existing performance awards. In the event that the Committee proposes to make a significant payment to buy out an individual from their existing awards they will first consult with major shareholders. In addition, new Executive Directors appointed towards the end of a year may be awarded a notional bonus payment, deferred into shares, to ensure that an appropriate shareholding is built up within a reasonable timeframe from appointment.

EXIT PAYMENT POLICY

When considering termination payments the Committee takes into account the best interests of the Company and the individual's circumstances including the reasons for termination, contractual obligations, and CIP scheme rules. The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment. The policy in relation to leavers for both the CIP and legacy arrangements is summarised in the table below:

Combined Incentive Plan (CIP)

Within the CIP, a good leaver is defined as those whose office or employment comes to an end because of death, ill health, injury or disability, redundancy, or retirement with the agreement of the employing company; the sale of the individual's employing company or business out of the Group or any other reasons at the discretion of the Committee.

For leavers during the award year

- Typically, for good leavers, rights to awards under the CIP will be pro-rated for time in service to termination as a proportion of the performance period, and will, subject to performance, be paid at the normal time in the normal manner (i.e. in cash / deferred awards as appropriate).
- Typically for other leavers, rights to awards under the CIP will be forfeit.

For leavers during the deferral period

- Outstanding deferred awards under the CIP will be paid at the normal time, subject to performance against the underpin performance condition. The Committee retains the discretion to apply time pro-rating (over the deferral period) for good leavers and to accelerate the vesting and/or release of awards if it considers it appropriate.
- Typically for other leavers, rights to deferred awards will be forfeit.

Legacy arrangements

- In normal circumstances the Executive Director will work their notice period and receive usual remuneration payments and benefits during this time. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of the LTIP scheme.
- In the event of the termination of an Executive Director's contract and the Company requesting the Executive cease working immediately, either a compensation for loss of office payment will be made or a payment in lieu of notice plus benefits may be made. The value of the compensation for loss of office will be equivalent to the contractual notice period, pension and benefits value.
- The Executive Director may also be considered for a performance related pay award upon termination. The financial performance of the Company and meeting of KPIs and targets is the prime driver for determining whether to make an award and the quantum. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of a pro rata cash bonus award.
- In the event of termination for gross misconduct neither notice nor payment in lieu of notice will be given and the Executive will cease to perform their services with immediate effect.

The detailed treatment of the cessation of employment provisions of the CIP are contained in the AGM circular seeking shareholder approval for the new arrangement.

The Committee will seek to mitigate the cost to the Company. In the event that the Committee exercises the discretion detailed above to treat an individual as a Good Leaver and/or to make a performance related bonus payment, the Committee will provide an explanation in the next remuneration report.

On change of control, awards will vest in line with the plan rules.

EXTERNAL APPOINTMENTS

The Company allows Executive Directors to take up external positions outside the Group, providing they do not involve a significant commitment and do not cause conflict with their duties to the Company. These appointments can broaden the experience and knowledge of the Director, from which the Company can benefit. Executives are allowed to retain all remuneration arising from any external position.

SENIOR MANAGEMENT

The policy for senior management remuneration is set in line with the policy for the Executive Directors, with a degree of discretion for the Committee to take into account specific issues identified by the Chief Executive, such as the performance of a specific individual or division.

DIRECTORS' REMUNERATION REPORT

POLICY CONTINUED

TOTAL COMPENSATION

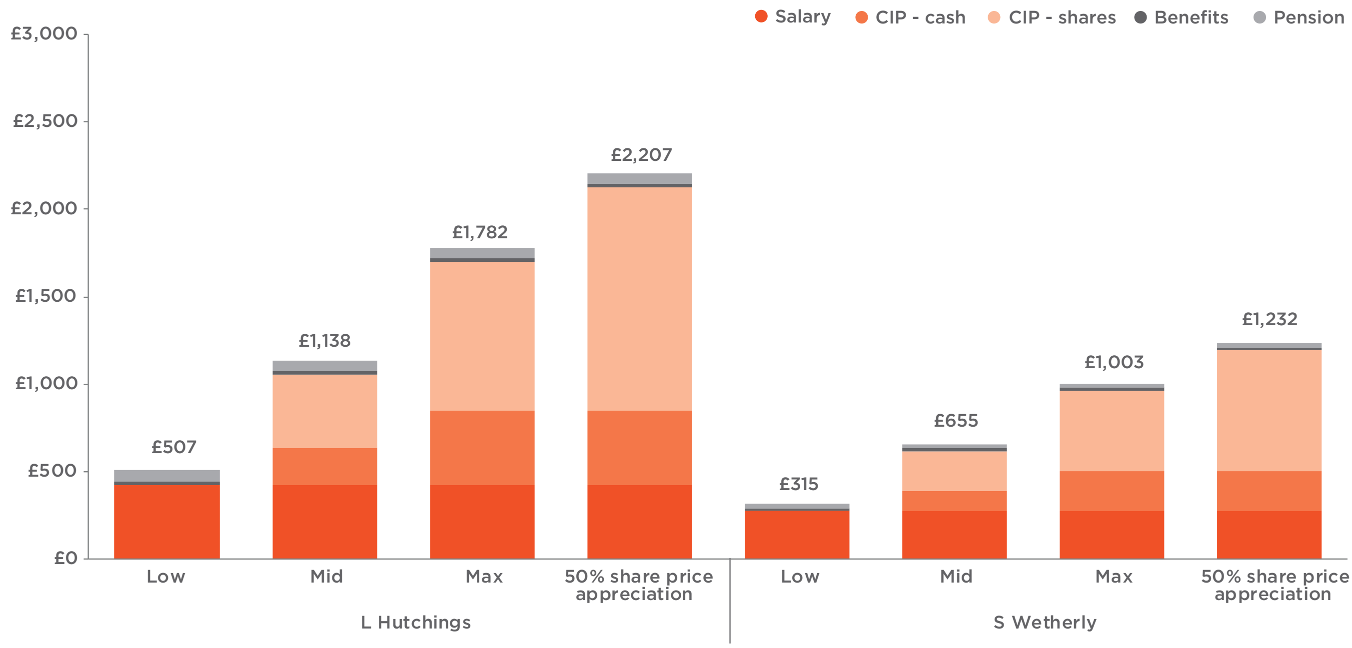
The total value of the remuneration of the Chief Executive under the new policy will not exceed previous arrangements, as illustrated below.

Chief Executive Remuneration	Base Salary	Maximum incentive opportunity	Maximum incentive value	Pension (15% base salary)	Maximum package value
Current	£383,000	350%	£1,340,500	£57,450	£1,780,950
Proposed	£425,000	300%	£1,275,000	£63,750	£1,763,650

The following chart shows the value of each of the main elements of the remuneration package for the Chief Executive and Executive Directors potentially available in 2019 dependent on performance scenarios:

- The low scenario is based on nil bonus;
- The mid scenario is based on bonus at 50% of maximum (i.e. 150% of salary for Chief Executive and 125% of salary for Executive Directors); and
- The max scenario is based on bonus at 300% salary for Chief Executive and 250% for Executive Directors.
- In addition, the max scenario is illustrated based on share price increase of 50% for the maximum share element which could be granted for the CIP.

All figures in £'000



CONSULTATION AND SHAREHOLDERS' VIEWS

During the course of 2018, The Committee undertook a shareholder consultation on the new CIP. Respondents were broadly supportive of the proposals and in light of feedback, the Committee adjusted the policy so that the entire deferred portion of the CIP would be subject to a performance underpin.

Where requested, further clarification and discussion can be provided to all shareholders to assist them in making an informed voting decision. If any major concerns are raised by shareholders these can be discussed with the Committee Chairman in the first instance and the rest of the Committee as appropriate.

COMMITTEE EVALUATION

The Committee reviews its performance with Board members and other participants, including through the annual Board evaluation. The Committee reviewed and updated its Terms of Reference in 2018 to reflect latest governance best practice and requirements and the requirements of the 2018 Corporate Governance Code.

DIRECTORS' REMUNERATION REPORT

2018 REMUNERATION REPORT

AUDITED INFORMATION:

THE REMUNERATION COMMITTEE

The Committee met four times during 2018 as well as holding informal meetings and other correspondence to discuss wider remuneration issues. In addition to the Committee members (see page 40), the Chief Executive and other Non-Executive Directors are invited to attend meetings as required, except in circumstances where their own remuneration is being discussed.

The Remuneration Committee agrees the framework for the remuneration of the Chairman and the Executive Directors. The Committee approves salaries and sets the levels, conditions and performance objectives for the annual bonus and share awards for Executive Directors. It also makes recommendations to the Board on matters which require shareholder approval.

The terms of reference of the Committee are available at www.capreg.com/about-us/people/board-committees

SUMMARY OF PERFORMANCE YEAR ENDED 30 DECEMBER 2018

	2018	2017
Net Rental Income[1]	**£51.9m**	£51.6m
Adjusted Profit[2]	**£30.5m**	£29.1m
Adjusted Earnings per share[2]	**4.23p**	4.10p
IFRS loss/(profit) for 2018	**£(25.6)m**	£22.4m
Total dividend per share	**2.42p**	3.64p
Net Asset Value (NAV) per share	**60p**	67p
EPRA NAV per share	**59p**	67p
Group net debt	**£411.1m**	£404.0m
Net debt to property value	**48%**	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 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 9 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.

DIRECTORS' REMUNERATION REPORT

2018 REMUNERATION REPORT CONTINUED

SINGLE TOTAL FIGURE OF REMUNERATION FOR DIRECTORS:

The table below sets out the remuneration received/receivable in relation to the year ended 30 December 2018.

£'000	Salary/Fees		Taxable benefits (i)		Other benefits		Total Bonus (x)		Pension		Total emoluments		LTIP vesting (xi)		Total	
Executive Director	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
L Hutchings (ii)	**383**	212	**3**	1	**7**	4	**301**	148	**57**	28	**752**	393	**-**	-	**752**	393
H Scott-Barrett (Chief Executive) (iii)	**-**	195	**-**	3	**-**	10	**-**	-	**-**	38	**-**	246	**-**	318	**-**	564
C Staveley (iv)	**191**	299	**1**	2	**4**	6	**136**	149	**29**	45	**361**	501	**-**	152	**361**	653
K Ford (v)	**-**	113	**-**	2	**-**	3	**-**	46	**-**	17	**-**	181	**-**	160	**-**	341
TOTAL	**574**	819	**4**	8	**11**	23	**437**	343	**86**	128	**1,113**	1,321	**-**	630	**1,113**	1,951
Chairman and Non-Executive Directors																
H Scott-Barrett(iii) (Chairman)	**138**	75	**-**	-	**-**	-	**-**	-	**-**	-	**138**	75	**-**	-	**138**	75
J Clare (vi)	**-**	56	**-**	-	**-**	-	**-**	-	**-**	-	**-**	56	**-**	-	**0**	56
T Hales (vii)(viii)	**52**	51	**-**	-	**-**	-	**-**	-	**-**	-	**52**	51	**-**	-	**52**	51
W Hamman	**42**	41	**-**	-	**-**	-	**-**	-	**-**	-	**42**	41	**-**	-	**42**	41
I Krieger (vii)	**47**	46	**-**	-	**-**	-	**-**	-	**-**	-	**47**	46	**-**	-	**47**	46
L Norval	**42**	41	**-**	-	**-**	-	**-**	-	**-**	-	**42**	41	**-**	-	**42**	41
G Poitrinal (ix)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
L Whyte (vii)	**47**	46	**-**	-	**-**	-	**-**	-	**-**	-	**47**	46	**-**	-	**47**	46
TOTAL	**368**	356	**-**	-	**-**	-	**-**	-	**-**	-	**368**	356	**-**	-	**368**	356
TOTAL ALL	**942**	1,175	**4**	8	**11**	23	**437**	343	**86**	128	**1,481**	1,677	**-**	630	**1,480**	2,307

i. Private medical care and critical illness cover.

ii. L Hutchings was appointed a Director on 13 June 2017.

iii. H Scott-Barrett stepped down as Chief Executive on 13 June 2017 and became Non-Executive Chairman on the same date.

iv. C Staveley stepped down as a Director on 15 August 2018 but continued to be a full-time employee until 31 December 2018. All remuneration figures show are up to 15 August 2018 with the total bonus paid of £135,626 pro-rated in the above table.

v. K Ford stepped down as a Director on 9 May 2017 but continued to be a full-time employee until 31 December 2017. All remuneration figures shown are up to 9 May 2017 with the total bonus paid of £127,803 pro-rated in the above table.

vi. J Clare resigned on 13 June 2017.

vii. T Hales, I Krieger and L Whyte receive an additional fee of £5,000 per annum as members of the Audit and Remuneration Committees.

viii. T Hales receives a further fee of £5,000 as Senior Independent Director.

ix. G Poitrinal resigned on 31 October 2018. G Poitrinal did not receive a fee or any remuneration.

x. In line with policy, bonus payments above 60% of maximum (50% for the Chief Executive) are deferred into shares for two years. The split of the 2018 bonus was as follows:

£'000	Cash	Deferred into shares	Total
L Hutchings	287	14	301
C Staveley	136	-	136

xi. LTIP Vesting – The LTIP award for 2017 was calculated with reference to the value of the August 2014 issue at the end of the performance period, at which point it was confirmed how many options would qualify for vesting. The awards were available for individuals to exercise from 14 August 2018 (50% and 50% from 14 August 2019) and are conditional on them remaining in employment (or being deemed a good leaver). The numbers quoted also include payments made to individuals on exercise of options in lieu of dividends paid during the holding period.

BASIC SALARY INCREASES FOR EXECUTIVE DIRECTORS:

	2019		2018		2017		2016		2015	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
L Hutchings	425	11.0	383	2.0	375	n/a	n/a	n/a	n/a	n/a
S Wetherly	275	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
C Staveley	n/a	n/a	305	2.0	299	2.0	293	2.0	287	2.5
H Scott-Barrett	n/a	n/a	n/a	n/a	427	2.0	418	2.0	410	2.5
K Ford	n/a	n/a	n/a	n/a	315	2.0	308	2.0	302	2.5
M Bourgeois	n/a	n/a	n/a	n/a	n/a	n/a	241	4.3	231	2.5

With effect from his start date of 13 June 2017, Lawrence Hutchings' salary was £375,000 per annum. Prior to appointment Lawrence was untried as a public company Chief Executive and his salary was discounted to reflect this. The increase, from £383,000 to £425,000, will bring the Lawrence Hutchings' base salary to the same level of his predecessor and in line with the highly competitive real estate market. Following this market adjustment it is envisaged that future increases to the base salary of the Chief Executive and any Executive Directors will be aligned with that of the wider workforce. The increase reflects the importance of retaining Lawrence to the business, the impact both internally and externally he has had since joining in 2017 and his highly marketable skills as the Chief Executive of a listed real estate company.

With effect from his start date of 11 March 2019, Stuart Wetherly's salary is £275,000 per annum.

NON-EXECUTIVE DIRECTOR FEES

The same 2% increase awarded to staff members has been applied to the Chairman's base fee of £137,700 and Non-Executive Directors' base fees of £41,616 per annum with effect from 1 January 2019. No increase will be applied to the additional £5,000 per annum for being a member of the Audit and Remuneration Committees or the additional £5,000 fee per annum paid to the Senior Independent Director.

2018 BONUSES AND ACHIEVEMENT OF OBJECTIVES:

	Total % of maximum bonus awarded for 2018	Bonus paid 2018 £'000	Maximum achievable £'000
L Hutchings	52.5%	301	575
C Staveley[1]	47.5%	136	286

[1] The Bonus paid and maximum bonus achievable amounts were both pro-rated to September 2018.

The annual bonus criteria for 2018 were determined with a weighting of 80% for Group Objectives (of which 50% related to financial targets, 10% relating to operating metrics and 20% related to strategy implementation) and 20% on personal objectives.

Group Objectives: Financial Targets (50%)

	Threshold		Maximum			
Performance Measure	% of bonus	Required performance (£m)	% of bonus	Required performance (£m)	Actual achieved (£m)	Payout as % of max.
Adjusted Profit[1]	5	31.0	10	32.0	31.0	5
Adjusted Earnings per share[1]	5	4.39	10	4.51	4.31	-
Property Level Net Rental Income[2]	10	54.5	10	54.5	52.3	-
Growth in Net Rental Income[2]	5	+2.5%	15	+5.0%	+0.6%	-
Cost Management (Central Costs)	2.5	7.8	5	7.4	6.9	5

[1] The Adjusted Profit and Adjusted Earnings per share targets are adjusted for one-off restructuring/redundancy costs and Directors' bonuses (including NIC).

[2] Property Level NRI is before management fees and on a see-through basis including the Group's proportional share of joint venture assets.

Group Objectives: Operating Metrics (10%)

Performance Measure	% of bonus	Required performance	Actual achieved	Payout as % of max.
Footfall growth	5%	+0.5%	+1.2%	5
Leasing performance	5%	–	+1.5% to ERV +3.1% to passing rent	5

DIRECTORS' REMUNERATION REPORT

2018 REMUNERATION REPORT CONTINUED

Group Objectives: Implementation of Strategy (20%)

The Remuneration Committee determined that management's objectives should also include a focus on the delivery of the strategy and the successful roll-out and implementation of asset masterplans, progress of Capex initiatives and impact on footfall. In considering performance for the year the Committee took into account the progress made on the remerchandising of schemes towards needs based, non-discretionary offers; the deployment of £18.5 million in capex investment; the development of mixed-use asset plans, including securing planning consent at Walthamstow; and the advancement of the asset masterplans, capex pipeline for the Group's major assets and concluded that an award of 15% of bonus was appropriate.

Personal Objectives (20%)

Each of the Executive Directors is given a number of personal objectives which account for a maximum of 20% of the overall target set. These objectives are specific to the individual responsibilities and in 2018 covered the successful transition and development of the management team, reflected in the 93% participation rate in the C&R Pulse Staff Engagement survey, strong stakeholder management and engagement, retaining the ROSPA gold award for health and safety, and the recognition by Revo of the community shopping centre classification. The Committee determined that against these objectives the following awards, relative to maximum pay-out, be made: 17.5% to Lawrence Hutchings and 12.5% to Charles Staveley.

While acknowledging the level of performance attained against the financial targets, the Committee is of the opinion that the 2018 bonus determination is reflective of the overall corporate performance and contribution made by the Executive Directors in extremely challenging economic conditions.

LONG-TERM INCENTIVE PLAN (LTIP)

The number of awards and the performance periods for all outstanding LTIP awards are summarised in the table below. The Company's Clawback provisions apply during the holding period where the level of vesting may be reduced, including to nil

Name	Date of Award	No. of awards	% of salary	Face value of awards granted during 2018 £000[5]	Threshold/ Maximum vesting share price[5]	Qualified for vesting in the year	End of Performance Period	Holding period
L Hutchings	08.09.17[2]	1,260,504	200	–	see note 1 below	–	19.04.20	2 years
	18.04.18	1,429,906	200	765	see note 1 below	–	18.04.21	2 years
C Staveley	23.08.16	483,013[3]	125	–	see note 1 below	–	23.08.19	–
	19.04.17	355,431[3]	125	–	see note 1 below	–	19.04.20	–
	18.04.18	200,235[3]	150	107	see note 1 below	–	18.04.21	–
H Scott-Barrett	23.08.16	283,0684[4]	150	–	see note 1 below	–	23.08.19	2 years

Notes:

[1] The performance conditions for the August 2016, April 2017 and April 2018 issues are:

Performance condition	Weighting	Time frame	Nil	Threshold (25%)	Maximum (100%)
Total Shareholder Return relative to the FTSE 350 Real Estate Index	1/3	3 years from date of grant	Below index	Above index	Index + 12%
Average Annual Growth in Adjusted Profit Per Share	1/3	3 financial years from start of year of grant	Below 5%	5%	9% (August 2016) 10% (April 2017 & 2018)
Total Property Return relative to the IPD UK Retail Quarterly Property Index	1/3	3 years from year end or half year end immediately preceding grant	Below index	Above index	Index + 1.5% p.a.

[2] L Hutchings' award was granted on 8 September 2017 which was as soon as was practicable following his joining the Company.

[3] As a condition of Charles Staveley's Good Leaver status the value of the awards under the August 2016, April 2017 and April 2018 issues were reduced pro-rata to 31 December 2018, reflected in the table, and will be exercisable at the end of the applicable performance period.

[4] As a condition of Hugh Scott-Barrett's Good Leaver status he is able to exercise his LTIP awards during the Holding period but is not able to sell the shares, other than to meet tax liabilities on exercise, without the prior agreement of the Remuneration Committee. Hugh Scott-Barrett's awards under the March 2015 and August 2016 issues were reduced pro-rata to 13 June 2017, reflected in the table, being the date that he ceased being an Executive Director.

[5] Calculated based on share price at issue of 53.5 pence.

[6] Straight-line vesting applies for all LTIP issues in between threshold and maximum vesting.

Vesting of March 2015 LTIP issue

The performance period for the March 2015 LTIP issue ended during the year as noted above. Nil awards qualified for vesting as the share price (adjusted for cumulative dividends and distributions paid in the performance period) was below the 65p threshold.

Early vesting of awards

Where a liquidity event triggers early vesting the Committee will pro rate awards for performance and, other than in exceptional circumstances, for time. In the event of a capital raising or any other such event that would have a dilutive impact upon the awards the Remuneration Committee may, in line with the scheme rules, adjust the awards granted to take account of this.

EXIT PAYMENTS

Charles Staveley stepped down as an Executive Director of Capital & Regional on 15 August 2018. Charles remained an employee of the Group until 31 December 2018 during which time his remuneration arrangements were unchanged. In line with the Remuneration Policy, the Committee agreed that a payment in lieu of notice plus benefits would be made, equivalent to the contractual notice period, pension and benefits, and included retraining and termination payments totalling £299,854. For the purposes of the LTIP, the Committee used its discretion under the plan rules and determined that Charles was a good leaver. Charles will retain his awards received under the Company's 2008 Long Term Incentive Plan ("LTIP"). The Holding Periods applicable to the 2014 LTIP award, and to options under the Company's Deferred Bonus Share Plan, will be waived such that they will no longer apply from 1 January 2019. For those LTIP awards with a performance period extending beyond 31 December 2018 a pro rating adjustment will be made to that date. The awards will be exercisable at the end of the applicable performance period.

PAYMENTS TO PAST DIRECTORS

There were no payments to past Directors in 2018.

2019 COMBINED INCENTIVE PLAN (CIP)

The Committee intends to implement The Capital and Regional Combined Incentive Plan (CIP) in 2019, which combines the annual bonus and LTIP into one structure.

The Committee will continue to set stretching performance targets, with financial performance metrics forming at least 80% of the metrics used. The remaining 20% will be subject to strategic and operational measures, providing a link between financial and strategic out turns.

	% of max.
Adjusted Profit	20%
Net Rental Income	20%
Cost Management	20%
Gearing	20%
Total Financial:	**80%**
Operating metrics	10%
Footfall against benchmark	
Leasing performance	
Strategy Implementation	10%
Total Operational and Strategic:	**20%**

Pay out levels for threshold performance will remain controlled at 25% of the CIP and maximum pay-out will represent 'exceptional performance'. For target performance levels of pay out will be at 50%. To reflect the shorter timeframe over which performance will be measured the Committee has reduced the overall incentive opportunity from 350% to 300% of base salary for the Chief Executive and from 300% to 250% for Executive Directors.

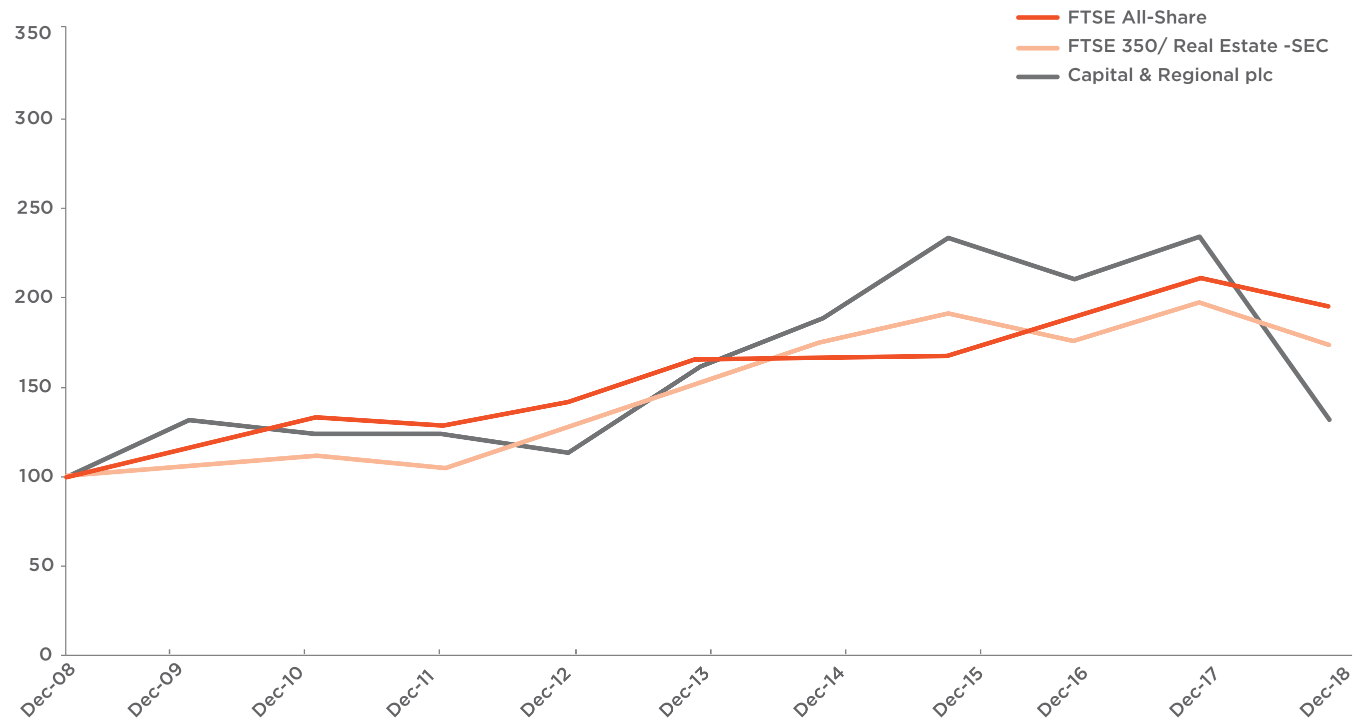
Detailed targets have not been disclosed due to their commercially sensitive nature. The targets and the extent to which they have been achieved will be published in full in the 2019 Directors Remuneration Report.

DIRECTORS' REMUNERATION REPORT

2018 REMUNERATION REPORT CONTINUED

PERFORMANCE GRAPH

The graph below illustrates the Company's Total Shareholder Return (i.e. share price growth plus dividends paid) performance compared to the FTSE All Share and FTSE 350 Real Estate indices as these indices provide a measure of a sufficiently broad equity market against which the Company considers that it is suitable to compare itself. The graph shows how the total return on a £100 investment in the Company made on 31 December 2008 would have changed over the ten year period measured, compared with the total return on a £100 investment in the comparable indices.



The table below sets out the total remuneration of the Chief Executive, over the same period as the Total Shareholder Return graph. The quantum of Annual Incentive awards granted each year and long-term incentive vesting rates are given as a percentage of the maximum opportunity available.

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Total remuneration (L Hutchings)	752	393	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total remuneration (H Scott-Barrett)	-	564	2,112	796	833	651	765	536	302	402
Annual bonus (% of max) (L Hutchings)	53%	45%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Annual bonus (% of max) (H Scott-Barrett)	n/a	-	70%	70%	85%	40%	69%	71%	-	-
LTIP vesting (% of max) (L Hutchings)	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LTIP vesting (% of max) (H Scott-Barrett)	-	35.26%	91.85%	-	-	-	-	-	-	-

GOVERNANCE

PERCENTAGE INCREASE IN CHIEF EXECUTIVE REMUNERATION VERSUS THE WIDER WORKFORCE

	CEO	Employee group[1]
Salary	+11%	+2%
All taxable benefits	No change	No change
Annual bonuses	+19%	-1%

The ratio of the salary of the Chief Executive to the average employee salary[1] (excluding Directors) was 5.7:1 (£383,000:£67,108).

[1] Calculated on a like-for-like basis with reference to employees of Capital & Regional plc and Capital & Regional Property Management.

RELATIVE IMPORTANCE OF SPEND ON PAY COMPARED TO DISTRIBUTIONS TO SHAREHOLDERS

	2018 £m	2017 £m	%
Employee costs (per Note 7 of the financial statements)	11.6	13.1	-11.5
Dividends paid (Total of Interim and Final Dividend for the respective year)	17.5	26.1	-32.95

EXECUTIVE SHARE OWNERSHIP

The minimum shareholding guidelines require Executive Directors to hold ordinary shares with a value equal to a set percentage of salary based on current market value or aggregate purchase price. In 2018 the guidelines were set at one year's basic salary for Executive Directors and two years for the Chief Executive.

There is no set timescale for Executive Director to reach the prescribed target but they are expected to retain net shares received on the vesting of long-term incentive awards until the target is achieved. Shares that count towards the holding guideline are unfettered and beneficially owned by the Executive Directors and their connected persons.

Executive Directors	Time from appointment as Executive Director	Target % of salary	Target currently met?
L Hutchings	1 year 6 months	200	No
C Staveley	10 years 3 months	100	Yes

DIRECTORS' REMUNERATION REPORT

2018 REMUNERATION REPORT CONTINUED

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Name	Unexpired term of appointment	Date of service agreement	Notice period	Potential termination payment
Executive Directors				
L Hutchings	Rolling contract	13 June 2017	12 months	12 months' salary and benefits value
S Wetherly	Rolling contract	11 March 2019	12 months	12 months' salary and benefits value

Name	Unexpired term of appointment	Date of initial appointment	Notice period	Potential termination payment
Non-Executive Directors				
H Scott-Barrett	Rolling contract	9 March 2008[1]	6 months	None
L Norval	Rolling contract	15 September 2009	No notice	None
T Hales	Rolling contract	1 August 2011	No notice	None
I Krieger	Rolling contract	1 December 2014	No notice	None
W Hamman	Rolling contract	2 June 2015	No notice	None
L Whyte	Rolling contract	1 December 2015	No notice	None

[1] Hugh Scott-Barrett's contract was amended on 13 June 2017 when he ceased to be Chief Executive and became the Non-Executive Chairman.

Non-Executive Directors are all appointed on rolling contracts with no notice period save for Hugh Scott-Barrett who as Chairman has a six-month notice period. All Directors stand for re-election annually and Board appointments automatically terminate in the event of a Director not being re-elected by shareholders. Copies of the Directors' service agreements are available to view, upon appointment, at the Company's registered office.

EXTERNAL APPOINTMENTS

No Executive Directors held external positions during the year.

INTERESTS IN SHARES

The Directors and, where relevant, their connected persons (within the meaning of Section 252 of the Companies Act 2006) were beneficially interested in the ordinary share capital of the Company at the dates shown in the table. This excludes unvested LTIP share awards, these are disclosed separately on page 58.

	30 December 2018 Shares	30 December 2017 Shares
H Scott-Barrett	3,540,000	3,489,676
L Hutchings	79,790	38,710
T Hales	600,000	600,000
W Hamman	-	-
I Krieger	103,133	103,133
L Norval	135,913,866	135,899,287
L Whyte	78,852	73,929

Louis Norval is beneficially interested in the shares registered in the name of MStead Limited and PDI Investment Holdings Limited. Wessel Hamman, by virtue of being the other nominated representative Director of the Parkdev Group of companies, is connected to the MStead Limited, PDI Investment Holdings Limited and other related shareholdings but does not personally have a beneficial interest in any of these holdings.

COMMITTEE EVALUATION

The Committee reviewed its performance with Board members and other participants, including through the annual Board evaluation. As part of its review, the Committee updated its Terms of Reference in 2018 to reflect latest governance best practice and requirements and the requirements of the 2018 UK Corporate Governance Code.

ADVISERS

During the year, the Committee received advice from independent remuneration consultants PwC LLP to support the detailed review of the remuneration policy, the remuneration reporting regulations and corporate governance changes and to provide advice on an ad hoc basis. PwC LLP's fees for this advice were £50,000, which were charged on a time/cost basis.

PwC LLP is a member of the Remuneration Consultants' Group, and as such chooses to operate pursuant to a code of conduct that requires remuneration advice to be given objectively and independently. The Committee is satisfied that the advice provided by PwC LLP in relation to remuneration matters is objective and independent.

CONSULTATION AND SHAREHOLDERS' VIEWS

Shareholder voting on the Directors' remuneration report, which was tabled at the 9 May 2018 AGM, was as follows:

Resolution	For	Against	Total Shares Voted	For/Discretionary as % of Total Shares Voted
To approve the Directors' remuneration report for 2017	450,760,568	6,992,205	467,031,951	96.52%

Shareholder voting on the remuneration policy, which was tabled at the 10 May 2016 AGM, was as follows:

Resolution	For	Against	Discretionary	Total Shares Voted	For/Discretionary as % of Total Shares Voted
To approve the Directors' remuneration policy	415,895,797	48,741,878	28,702	464,666,377	89.51%

Tony Hales CBE
Chairman of Remuneration Committee

DIRECTORS' REPORT

BUSINESS REVIEW

Information on the Group's business, which is required by section 417 of the Companies Act 2006, can be found in the Strategic Report on pages 2 to 34 which is incorporated into this report by reference. This includes our statutory reporting on greenhouse gas emissions. A report on corporate governance and compliance with the provisions of the 2016 UK Corporate Governance Code and Disclosure and Transparency Rules, which forms part of this Directors' Report, is set out on pages 39 to 43.

The results for the year are shown in the Group income statement on page 78. There were no reportable events after the balance sheet date other than a restructuring of the Group's holding in the Kingfisher Limited Partnership completed on 8 March 2019, as set out in Note 14b and a £7 million facility to part-fund a cinema development and related leisure works at Hemel Hempstead completed on 13 March 2019. At the same time the Group's revolving credit facility was rebased to £15 million, as set out in Note 17a. The use of financial derivatives is set out in Note 18 to the financial statements.

The purpose of this Annual Report is to provide information to the members of the Company. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Group undertakes no obligation to update them. Nothing in this Annual Report should be construed as a profit forecast.

DIVIDENDS

An interim dividend of 1.82 pence per share (2017: 1.73 pence per share) was paid on 25 October 2018, all as a Property Income Distribution (PID). The Directors recommend a final dividend of 0.60 pence per share, making a total distribution for the year ended 30 December 2018 of 2.42 pence per share (2017: 3.64 pence per share).

Subject to approval of shareholders at the Annual General Meeting (AGM) on 16 May 2019, the final dividend will be paid on 23 May 2019. The key dates are set out as below:

■ Confirmation of ZAR equivalent dividend and PID percentage	26 March 2019
■ Last day to trade on Johannesburg Stock Exchange (JSE)	2 April 2019
■ Shares trade ex-dividend on the JSE	3 April 2019
■ Shares trade ex-dividend on the London Stock Exchange (LSE)	4 April 2019
■ Record date for LSE and JSE	5 April 2019
■ AGM	16 May 2019
■ Dividend payment date	23 May 2019

The amount to be paid as a PID will be confirmed in the announcement on 26 March 2019. South African shareholders are advised that the final 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 March 2019. Share certificates on the South African register may not be dematerialised or rematerialised between 3 April 2019 and 5 April 2019, both dates inclusive. Transfers between the UK and South African registers may not take place between 26 March 2019 and 5 April 2019, both dates inclusive.

Property Income Distributions (PIDs)

As a UK REIT, Capital & Regional plc is exempt from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of UK shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Further information on UK REITs is available on the Company's website, including a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax.

PIDs paid to shareholders on the South African share register are subject to UK withholding tax at 20%. South African shareholders may apply to Her Majesty's Revenue and Customs after payment of the PID for a refund of the difference between the 20% withholding tax and the prevailing UK/South African double tax treaty rate. Other overseas shareholders may be eligible to apply for similar refunds of UK withholding tax under the terms of the relevant tax treaties.

DIRECTORS

The names and biographical details of the present Directors of the Company are given on pages 36 to 37. Charles Staveley's and Guillaume Poitrinal's resignations were effective from 15 August 2018 and 31 October 2018, respectively. All other Directors served for the full year.

All current Directors will retire and, being eligible, offer themselves for re-election at the 2019 Annual General Meeting.

Directors' interests in the share capital and equity of the Company at the year-end are contained in the Directors' Remuneration Report on page 62. There were no contracts of significance subsisting during or at the end of the year in which a Director of the Company was materially interested. No Director had a material interest in the share capital of other Group companies during the year.

In connection with the Parkdev group of investors ("Parkdev") acquisition of shares in the Company in 2009 and pursuant to the Relationship Agreement that Parkdev and the Company entered into in 2009, the Company agreed, upon request, to appoint two Non-Executive Directors nominated by Parkdev to the Board for so long as they own 20% or more of the issued ordinary share capital in the Company and one Non-Executive Director to the Board if they own less than 20%, but not less than 15%. Louis Norval and Wessel Hamman are the Parkdev nominated Non-Executive Directors. All other Directors are appointed in a personal capacity.

The Company maintains insurance for the Directors in respect of liabilities arising from the performance of their duties.

LISTING RULE 9.8.4R DISCLOSURES

The following table sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Interest capitalised and tax relief	n/a
Details of long-term incentive schemes	Pages 58-59
Waiver of emoluments by a Director	n/a
Waiver of future emoluments by a Director	n/a
Non-pre-emptive issues of equity for cash	n/a
Non-pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent Company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Shareholder waivers of dividends	Shares held by Employee Share Ownership Trust – see section below
Shareholder waivers of future dividends	Shares held by Employee Share Ownership Trust – see section below
Agreements with controlling shareholders	n/a

SUBSTANTIAL SHAREHOLDINGS

As at 24 March 2019 (the latest practicable date prior to the issue of this report) the Company has been notified of the following interests in its issued ordinary share capital:

	No. of shares	%
MStead Limited	69,978,847	9.63
PDI Investment Holdings	65,462,806	9.01
BlackRock	58,537,570	8.06
ICAMAP Investments	53,147,931	7.32
Peens Family Holdings	38,440,000	5.29
Aberforth Partners	37,287,564	5.13
Allan Gray Investment Management	37,039,422	5.10
New Fortress Finance Holdings	27,535,263	3.79
Thames River Capital	25,682,787	3.54
Premier Asset Management	17,606,111	2.42

MStead Limited and PDI Investment Holdings are part of the Parkdev group of investors.

DIRECTORS' REPORT
CONTINUED

SHARE CAPITAL

As at 30 December 2018 the Company's total issued share capital was 726,389,117 ordinary shares of 1 pence each, all with equal voting rights. The changes in the Company's Issued share capital during 2018 are detailed in Note 19 to the financial statements.

The Company has a Secondary Listing of shares on the Johannesburg Stock Exchange (JSE). At 30 December 2018, 64,420,122 of the Company's shares were held on the JSE share register, representing 8.87% of the total shares in issue.

CHANGE IN CONTROL

The Group's core revolving credit facility can be called in if there is a change in direct control of the borrower, Capital & Regional Holdings, of 50% or more of its issued share capital. The Group's £39 million debt facility in respect of The Exchange Centre, Ilford allows the lender to demand repayment of the facility with 120 days' notice following an individual or entity taking control of 50% or more of Capital & Regional Plc's shares.

In addition certain potential tax liabilities could be crystallised in some circumstances where there are varying degrees of change of ownership of the Group's shares.

Furthermore the Group could lose its status as a REIT as a result of the actions of third parties (for example, in the event of a successful takeover by a company that is not a REIT and which does not qualify as an "institutional investor" for REIT purposes) or due to a breach of the close company condition if it is unable to remedy the breach within a specified period.

PURCHASE OF OWN SHARES

The Company did not make any purchases of its own shares during 2017 or in 2018 up to 2 April 2019 being the latest practicable date prior to the issue of this report.

The Company was authorised by shareholders at the 2018 AGM held on 8 May 2018 to purchase up to a maximum of 10.0% of its ordinary shares in the market. This authority will expire at the 2019 AGM and the Directors will be seeking a new authority for the Company to purchase its ordinary shares. This will only be exercised if market and financial conditions make it advantageous to do so.

ARTICLES OF ASSOCIATION

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with the legislation in force from time to time.

SHARES HELD BY EMPLOYEE SHARE OWNERSHIP TRUST

At 30 December 2018 the Capital & Regional Employee Share Ownership Trust held 491,219 shares in the Company. The shares held by the Trust are registered in the nominee name, Forest Nominees Limited, and a dividend waiver is in place to cover the entire holding.

HUMAN RIGHTS

The Group operates in the UK and Jersey and, as such, is subject to the European Convention on Human Rights and the UK Human Rights Act 1998.

The Group respects all human rights and in conducting its business the Group regards those rights relating to non-discrimination, fair treatment and respect for privacy to be the most relevant and to have the greatest potential impact on its key stakeholder groups of customers, employees and suppliers.

The Board has overall responsibility for ensuring the Group upholds and promotes respect for human rights. The Group seeks to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through its policies and procedures and, in particular, through its policies regarding employment, equality and diversity, treating its stakeholders and customers fairly and through information security. Group policies seek to ensure that employees comply with the relevant legislation and regulations in place to promote good practice. The Group's policies are formulated and kept up-to-date and communicated to all employees through the Staff Policy Manual. The Group has not been made aware of any incident in which the organisation's activities have resulted in an abuse of human rights.

EMPLOYEES

The Group is committed to a policy that treats all of its employees and job applicants equally. No employee or potential employee receives less favourable treatment or consideration on the grounds of race, colour, religion, nationality, ethnic origin, sex, sexual orientation, marital status, or disability. Nor is any employee or potential employee disadvantaged by any conditions of employment or requirements of the Group that cannot be justified as necessary on operational grounds.

We give full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by people with disabilities. We endeavour to retain the employment of, and arrange suitable retraining for, any employee who becomes disabled during their employment as well as providing training, career development and promotion to disabled employees wherever appropriate.

During the year, the Group maintained arrangements to provide employees with information on matters of concern to them, to regularly consult employees for views on matters affecting them, to encourage employee involvement in the Group's performance through share schemes, and to make all employees aware of financial and economic factors affecting the performance of the Group.

At 30 December 2018 the total number of employees was as follows:

Employees	Male	Female	Total
Directors[1]	8	1	9
Employees – Group	21	22	43
Employees – Wholly-owned assets	20	57	77
Employees – Snozone	162	99	261

[1] The Group defines its senior management as the members of the Executive Committee which at 30 December 2018 consisted of the Executive Director, the Group's Acting Finance Director, Stuart Wetherly and the Group's Investment Director, James Ryman.

POLITICAL DONATIONS

The Group has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

AUDITOR'S INFORMATION

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. A resolution to reappoint Deloitte LLP as the Company's Auditor will be proposed at the forthcoming AGM.

ANNUAL GENERAL MEETING

A separate document, the Notice of Annual General Meeting 2019, accompanies this report and accounts and explains the business to be covered at the Annual General Meeting of the Company to be held on 16 May 2019.

By order of the Board

Stuart Wetherly
Company Secretary
2 April 2019

Registered Company name: Capital & Regional plc

Registered Company number: 01399411

Registered office: 22 Chapter Street, London SW1P 4NP

DIRECTORS' RESPONSIBILITIES STATEMENT

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company financial statements in accordance with FRS 101, as published by the Financial Reporting Council, and applicable law in the United Kingdom. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing the parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 2 April 2019 and is signed on its behalf by:

Lawrence Hutchings
Chief Executive

Stuart Wetherly
Group Finance Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITAL & REGIONAL PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- The financial statements of Capital & Regional plc (the "parent Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 December 2018 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ("IASB");
- The parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- The consolidated income statement;
- The consolidated statement of comprehensive income;
- The consolidated and parent Company balance sheets;
- The consolidated and parent Company statements of changes in equity;
- The consolidated cash flow statement; and
- The related notes 1 to 31 and parent Company related notes A to F.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITAL & REGIONAL PLC CONTINUED

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: ■ Valuation of investment properties ■ Going concern and covenant compliance ■ Impairment of Company-only investments and intercompany debtors The key audit matters are consistent with the key audit matters identified in the prior year.
Materiality	The materiality that we used for the Group financial statements was £8.6 million which was determined on the basis of 2% of net assets. We applied a lower threshold of £1.4 million for testing of all balances impacting Adjusted Profit (as defined in Note 1 of the Group financial statements), which is less than 5% of Adjusted Profit.
Scoping	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component levels. Our audit scoping provides full scope audit coverage of 97% (2017: 93%) of net assets and 97% (2017: 96%) of operating profit. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality.
Significant changes in our approach	There have been no significant changes in our audit approach.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

Going concern

We have reviewed the Directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including, where relevant, the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- The disclosures on pages 26 to 29 that describe the principal risks and explain how they are being managed or mitigated;
- The Directors' confirmation on page 26 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- The Directors' explanation on page 29 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTIES

Key audit matter description	Investment property has a carrying value of £898.2 million at 30 December 2018 (30 December 2017: £930.6 million), comprising 93% (30 December 2017: 92%) of the Group's assets. The portfolio consists of seven shopping centres within the Group. These are disclosed in Note 10 to the Group financial statements. We deem the fair value of the Group's property portfolio to be a significant area of focus due to the level and nature of the judgements and estimates from management that form inputs into the valuation process performed by the Group's independent valuers, such as occupancy rates, lease incentives, break clauses, yields and any impact from Brexit. Changes in these assumptions and judgements could lead to significant movements in property values and consequently unrealised gains or losses in the consolidated income statement. There is also a risk of fraud in relation to the valuation of the property portfolio, where the use of assumptions and judgements is more critical and could lead to material misstatement. The accounting policy for investment property is set out in Note 1 to the Group financial statements including management's assessment of this as a key source of estimation uncertainty. The Audit Committee's discussion of this key audit matter is set out on page 44.
How the scope of our audit responded to the key audit matter	We assessed the appropriateness of the design and implementation of the Group's key controls to address the risk over property valuations. We met with the third party valuers appointed by management to value the property portfolio and challenged the significant judgements, assumptions applied and impacts from Brexit in their valuation model. We verified movements in the key judgements and assumptions and benchmarked the inputs against market data with the assistance of our internal valuation specialists. We analysed the individual property valuations to understand significant movements against prior year and comparative market evidence considered by the valuers. We tested the integrity of the information provided to the valuers by management pertaining to rental income, purchasers' costs and occupancy. We considered the competence and independence of the external valuers.
Key observations	We found that management's judgements and assumptions fell within the reasonable range which is based on third party market commentator reports on market movements, and are satisfied that the value of investment properties is reasonably stated.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITAL & REGIONAL PLC CONTINUED

GOING CONCERN AND COVENANT COMPLIANCE

Key audit matter description	As at 30 December 2018, external borrowings had a carrying value of £432.9 million (30 December 2017: £422.2 million). The Group also has an undrawn £15 million central revolving credit facility, which matures in January 2022. We identified a key audit matter relating to the ability of the Group to meet the external loan covenant requirements during the year and for a period of one year from the date of this Auditor's Report. While there is headroom in the borrowing to property valuation ratio compared to the covenant requirement over this period, a downwards movement in property valuations could impact on this headroom. In the event of a fall in property valuations or rental income, the Group may not meet its covenant requirements. Management's consideration of the going concern basis of preparation is set out in Note 1 to the Group financial statements. Management have adopted the going concern basis of accounting for the Group and parent Company; they have concluded that there are no material uncertainties that may cast significant doubt over the Group's and parent Company's ability to adopt this basis for a period of at least 12 months from the date when the financial statements are authorised for issue. The Audit Committee's discussion of this key audit matter is set out on page 45.
How the scope of our audit responded to the key audit matter	■ We critically assessed the appropriateness of the design and implementation of the Group's key controls to address the risk of non-compliance with covenants and the going concern status of the Group. ■ We challenged the judgements and assumptions applied by management in their going concern assessment and associated forecasts of financial performance and financial position. These included modelling alternative scenarios taking consideration of projected capital expenditure, assumptions around asset sales and purchases, discount rates applied to future cash flows, current business and economic trends and significant developments during and subsequent to the year ended 30 December 2018.
Key observations	From the results of our work we concur with management's conclusions on going concern and covenant compliance.

IMPAIRMENT OF COMPANY-ONLY INVESTMENTS AND INTERCOMPANY DEBTORS

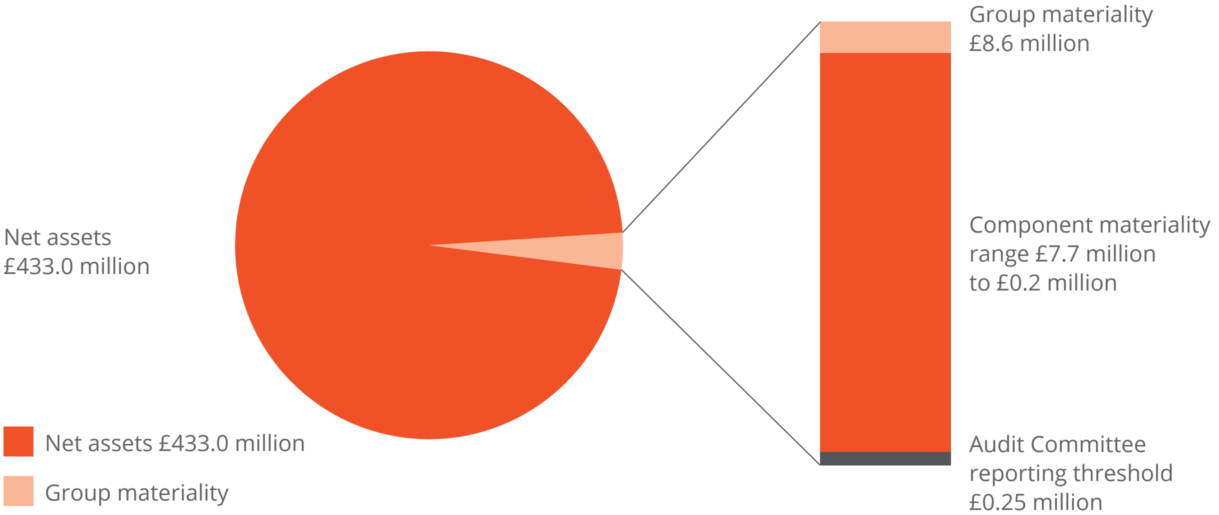
Key audit matter description	There is a risk that the carrying value of the investments and intercompany debtors cannot be supported. The accuracy of forecast future cash flows to support the carrying values of the investments is a key area of judgement and is identified as a key audit matter. In particular, this relates to the reasonableness of cash flow forecasts, long-term growth rates and the discount rates applied in the discounted cash flow calculations used to support investments held at above net asset value of the subsidiaries. Investments had a carrying value of £463.7 million at 30 December 2018 (30 December 2017: £456.7 million), comprising 96% (30 December 2017: 96%) of the parent Company's assets. Intercompany debtors had a carrying value of £14.4 million at 30 December 2018 (30 December 2017: £18.7 million), comprising 3% (30 December 2017: 4%) of the parent Company's assets. Investments are subject to an impairment review using discount rates between the range of 7.6% and 9.5% (30 December 2017: 7.4%–9.5%). The accounting policies for both investments and intercompany debtors are set out in Note A to the parent Company financial statements.
How the scope of our audit responded to the key audit matter	■ We assessed the appropriateness of the design and implementation of the Company's key controls to address the risk of impairment of investments and debtor balances. ■ We challenged management's investment impairment model and the cash flow forecasts employed therein, including comparison of the input assumptions to externally and internally derived data with the assistance of our internal valuations specialists. The inputs considered included the cash flow projections and discount rates. ■ We also assessed whether the forecasts employed are consistent with those used to support other judgements in the financial statements.
Key observations	We concur with the level of impairment reversal recognised by management for all investments. We consider that the carrying value of investment and intercompany debtor balances is appropriate.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent financial statements
Materiality	£8.6 million (2017: £9.5 million)	£7.74 million (2017: £9.15 million)
Basis for determining materiality	We applied a lower threshold of £1.4 million (2017: £1.4 million) for testing of all balances impacting Adjusted Profit (as defined in Note 1 to the Group financial statements), which is less than 5% of Adjusted Profit (2017: less than 5% of Adjusted Profit). Parent Company materiality equates to 2% of net assets, which is capped at 90% of Group materiality (2017: 2% of net assets).	Parent Company materiality equates to 2% of net assets, which is capped at 90% of Group materiality (2017: 2% of net assets).
Rationale for the benchmark applied	We used net assets as the benchmark when determining materiality as it is considered to be the most critical financial performance measure for the Group. We applied a lower threshold of £1.4 million (2017: £1.4 million) for testing of all balances impacting Adjusted Profit on the basis that it is a key metric used by management, is the basis of the discussion of the financial performance in the Strategic Report and is a metric used by analysts.	We used net assets as the benchmark when determining materiality as it is considered to be the most critical financial performance measure for the Company as a holding company.



We applied a lower threshold of £1.4 million for testing of all balances impacting Adjusted Profit (as defined in Note 1 to the Group financial statements), which is less than 5% of this financial performance measure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £250,000 (2017: £280,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITAL & REGIONAL PLC CONTINUED

GOVERNANCE

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component levels.

Our Group audit scope focused primarily on the audit work on the major lines of business. These major lines of business are Wholly owned assets, Snozone and Group/Central. These are included within individual IFRS 8 segments as disclosed in Note 2 to the Group financial statements.

All of the above were subject to a full scope audit.

The businesses subject to a full scope audit or specific audit procedures account for 97% (2017: 95%) of the Group's net assets, 100% (2017: 100%) of the Group's revenue and 97% (2017: 99%) of the Group's operating profit. All investment properties have been included within the scope of our work. The businesses subject to a full scope audit or specific audit procedures were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. All components are audited directly by the Group audit team. Our audit work at each component was executed at levels of materiality applicable to each individual entity which were between 2% and 90% (2017: 2% and 90%) of Group materiality, which corresponds to component materialities between £0.2 million and £7.7 million.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full scope audit or specific audit procedures.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud, are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Enquiring of management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
  - discussing among the engagement team and involving relevant internal specialists, including tax, financial instruments and real estate valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the significant judgements and assumptions used in the investment property valuations; and
  - obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act 2006, REIT legislation, London Stock Exchange Listing Rules and tax legislation.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITAL & REGIONAL PLC CONTINUED

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD continued

Audit response to risks identified

As a result of performing the above, we identified the valuation of investment properties as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- Enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance, and reviewing correspondence with HMRC; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- And evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: ■ We have not received all the information and explanations we require for our audit; or ■ Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ■ The parent Company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

OTHER MATTERS

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Directors on 19 January 1998 to audit the financial statements for the year ending 25 December 1997 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 22 years, covering the years ending 25 December 1997 to 30 December 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Hall FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
2 April 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR TO 30 DECEMBER 2018

	Note	2018 £m	2017 £m
Revenue	3	**91.0**	89.2
Cost of sales	4	**(34.9)**	(33.5)
Gross profit		**56.1**	55.7
Administrative costs		**(9.2)**	(10.2)
Share of loss in associates	14a	**(4.6)**	(2.0)
Loss on revaluation of investment properties	10a	**(47.5)**	(3.8)
Other gains and losses		**(4.5)**	0.3
(Loss)/profit on ordinary activities before financing		**(9.7)**	40.0
Finance income	5	**3.1**	1.2
Finance costs	5	**(18.9)**	(18.8)
(Loss)/profit before tax	6	**(25.5)**	22.4
Tax charge	8a	**(0.1)**	–
(Loss)/profit for the year	2a	**(25.6)**	22.4
All results derive from continuing operations			
Basic earnings per share	9a	**(3.5)p**	3.2p
Diluted earnings per share	9a	**(3.5)p**	3.1p
EPRA basic earnings per share	9a	**4.0p**	3.9p
EPRA diluted earnings per share	9a	**4.0p**	3.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR TO 30 DECEMBER 2018

	2018 £m	2017 £m
(Loss)/profit for the year	**(25.6)**	22.4
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**–**	–
Gain on a hedge of a net investment taken to equity	**–**	–
Total items that may be reclassified subsequently to profit or loss	**–**	–
Total comprehensive (expense)/income for the year	**(25.6)**	22.4

There are no items in other comprehensive income that may not be reclassified to the income statement.

Loss for the year and total comprehensive expense are all attributable to equity holders of the parent.

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 Financial Statements. EPRA earnings and EPRA EPS are shown in Note 9 to the Financial Statements. EPRA net assets and EPRA triple net assets are shown in Note 24 to the Financial Statements.

CONSOLIDATED BALANCE SHEET
AT 30 DECEMBER 2018

	Note	2018 £m	2017 £m
Non-current assets			
Investment properties	10	**898.2**	930.6
Plant and equipment	11	**2.0**	1.8
Fixed asset investments	14b	**2.8**	2.1
Receivables	13	**16.5**	14.2
Investment in associates	14b	**–**	7.4
Total non-current assets		**919.5**	956.1
Current assets			
Receivables	13	**15.3**	21.6
Cash and cash equivalents	15	**32.0**	30.2
Total current assets		**47.3**	51.8
Total assets	2b	**966.8**	1,007.9
Current liabilities			
Trade and other payables	16	**(37.1)**	(39.0)
Total current liabilities		**(37.1)**	(39.0)
Net current assets		**10.2**	12.8
Non-current liabilities			
Bank loans	17a	**(432.9)**	(422.2)
Other payables	16	**(2.2)**	(3.6)
Obligations under finance leases	26	**(61.6)**	(61.7)
Total non-current liabilities		**(496.7)**	(487.5)
Total liabilities	2b	**(533.8)**	(526.5)
Net assets		**433.0**	481.4
Equity			
Share capital	19	**7.3**	7.2
Share premium	19	**166.5**	163.3
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Own shares reserve	21	**–**	(0.1)
Retained earnings		**194.5**	246.3
Equity shareholders' funds		**433.0**	481.4
Basic net assets per share	24	**£0.60**	£0.67
EPRA triple net assets per share	24	**£0.59**	£0.66
EPRA net assets per share	24	**£0.59**	£0.67

These Financial Statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 2 April 2019 by:

Lawrence Hutchings
Chief Executive

Stuart Wetherly
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR TO 30 DECEMBER 2018

	Share capital £m	Share premium[1] £m	Merger reserve[2] £m	Capital redemption reserve[1] £m	Own shares reserve[3] £m	Retained earnings £m	Total equity £m
Balance at 30 December 2016	**7.0**	**158.2**	**60.3**	**4.4**	**(0.4)**	**248.1**	**477.6**
Profit for the year	–	–	–	–	–	22.4	22.4
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**22.4**	**22.4**
Credit to equity for equity-settled share-based payments (Note 20)	–	–	–	–	–	0.9	0.9
Dividends paid, net of scrip	–	–	–	–	–	(19.5)	(19.5)
Shares issued, net of costs	0.2	5.1	–	–	–	(5.3)	–
Other movements	–	–	–	–	0.3	(0.3)	–
Balance at 30 December 2017	**7.2**	**163.3**	**60.3**	**4.4**	**(0.1)**	**246.3**	**481.4**
Loss for the year	–	–	–	–	–	(25.6)	(25.6)
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(25.6)**	**(25.6)**
Credit to equity for equity-settled share-based payments (Note 20)	–	–	–	–	–	0.7	0.7
Dividends paid, net of scrip	–	–	–	–	–	(23.5)	(23.5)
Shares issued, net of costs	0.1	3.2	–	–	–	(3.3)	–
Other movements	–	–	–	–	0.1	(0.1)	–
Balance at 30 December 2018	**7.3**	**166.5**	**60.3**	**4.4**	**–**	**194.5**	**433.0**

Notes:

1. These reserves are not distributable.
2. The merger reserve of £60.3 million arose on the Group's capital raising in 2009 which was structured so as to allow the Company to claim merger relief under section 612 of the Companies Act 2006 on the issue of ordinary shares. The merger reserve is available for distribution to shareholders.
3. Own shares relate to shares purchased out of distributable profits and therefore reduce reserves available for distribution.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR TO 30 DECEMBER 2018

	Note	2018 £m	2017 £m
Operating activities			
Net cash from operations	22	**46.7**	43.0
Distributions received from fixed asset investments including German B-note		**0.8**	0.7
Interest paid		**(14.5)**	(14.6)
Interest received		**0.1**	0.1
Cash flows from operating activities		**33.1**	29.2
Investing activities			
Distributions received from associates	14b	**1.2**	4.5
Acquisition of The Exchange, Ilford	10a	**–**	(79.0)
Disposal of Buttermarket, Ipswich		**0.3**	9.8
Purchase of plant and equipment		**(0.5)**	(0.6)
Capital expenditure on investment properties		**(18.6)**	(16.9)
Cash flows from investing activities		**(17.6)**	(82.2)
Financing activities			
Dividends paid, net of scrip		**(23.6)**	(19.1)
Bank loans drawn down	17a	**10.0**	401.5
Bank loans repaid		**–**	(334.6)
Loan arrangement costs		**(0.1)**	(13.7)
Cash flows from financing activities		**(13.7)**	34.1
Net increase/(decrease) in cash and cash equivalents		**1.8**	(18.9)
Cash and cash equivalents at the beginning of the year		**30.2**	49.1
Cash and cash equivalents at the end of the year	15	**32.0**	30.2

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 30 DECEMBER 2018

1 SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Capital & Regional plc is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 22 Chapter Street, London, SW1P 4NP. The Group is a specialist real estate investor and asset manager, focused on dominant in-town community shopping centres. Further information on the Group's operations is disclosed in Note 2a and the operating and financial reviews.

BASIS OF ACCOUNTING

The Financial Statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and Notes 1 to 31. They are prepared on the historical cost basis except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of the reporting year, as explained in the accounting policies below. Other than as noted in the "Accounting developments and changes" section below, the accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities, income and expenses.

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 Financial Statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the accounting policies set out below.

STATEMENT OF COMPLIANCE

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

ACCOUNTING DEVELOPMENTS AND CHANGES

The accounting policies used in these Financial Statements are consistent with those applied in the last annual financial statements, as amended, where relevant, to reflect the adoption of new standards, amendments and interpretations which became effective during the year. These amendments have not had an impact on the Financial Statements.

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 are set out below:

- IFRS 15 Revenue from Contracts with Customers – 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's year ending 30 December 2019. The changes introduced by IFRS 15 will result in minimal qualitative changes to the revenue disclosure and will not have a quantitative impact on the consolidated Financial Statements of the Group.
- IFRS 9 Financial Instruments – will impact 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 will not have a quantitative impact on the Group's Financial Statements.
- IFRS 16 Leases – will result in the Group recognising on the balance sheet assets it leases along with a corresponding liability and is effective for the Group's year ending 30 December 2020. The primary lease contracts that this will impact are the lease on the Group's support offices and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites. The total increase in both assets and liabilities is expected to be around £15.9 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.

1 SIGNIFICANT ACCOUNTING POLICIES continued

GOING CONCERN

The Financial Statements have been prepared on a going concern basis. Details on going concern and the viability statement are provided on page 29.

CRITICAL ACCOUNTING JUDGEMENTS

The preparation of Financial Statements requires the Directors to make judgements that may affect the application of accounting policies. In the opinion of the Directors, no critical judgements have been made in the preparation of these Financial Statements.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Financial Statements requires the Directors to make estimates that may affect the reported amounts of assets and liabilities, income and expenses. The following are the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the Financial Statements:

Property valuation

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market.

The investment property valuation contains a number of assumptions upon which the Group's valuer has based its valuation of the Group's properties as at 30 December 2018. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, the condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised April 2015).

If the assumptions upon which the external valuer has based its valuations prove to be inaccurate, this may have an impact on the value of the Group's investment properties, which could in turn have an effect on the Group's financial position and results. Note 10c provides sensitivity analyses estimating the impact that changes in the estimated rental values or equivalent yields would have on the Group's property valuations.

Derivative financial instruments

Reliance upon the work undertaken at 30 December 2018 by independent third party experts in assessing the fair values of the Group's derivative financial instruments, which hedge interest rate risk and are therefore subject to movements in market rates, are disclosed in Notes 13 and 18e. Note 18b provides figures showing the Group's sensitivity to a 100bps increase or decrease in interest rate expectations.

BASIS OF CONSOLIDATION

The consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries at 30 December. Control of subsidiaries is achieved where the Company has the power over the investee, is exposed, or has rights, to variable return from its involvement with the investee and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. The reporting year for all material subsidiaries and affiliates ends on 31 December and their financial statements are consolidated from this date. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate at the date of exchange of the fair values of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred. Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the remeasurement period or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information and is subject to a maximum of one year.

1 SIGNIFICANT ACCOUNTING POLICIES continued

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal. Accounting practices of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share (investor's share) of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax, upon elimination of upstream and downstream transactions. Their profits include revaluation movements on investment properties. Interest income, management fees and performance fees are proportionately eliminated.

FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date and, unless they relate to the hedging of the net investment in foreign operations, differences arising on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the year. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction. The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year: £1 = €1.118 (2017: £1 = €1.127). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.130 (2017: £1 = €1.141).

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and land, on a straight-line basis over their expected useful lives:

- Leasehold improvements – over the term of the lease
- Fixtures and fittings – over three to five years
- Motor vehicles – over four years

PROPERTY PORTFOLIO

Investment properties

Investment properties are properties owned or leased under finance leases which are held either for long-term rental income or for capital appreciation or both. Investment property is initially recognised at cost (including directly related transaction costs) and is revalued at the balance sheet date to fair value, being the market value determined by professionally qualified external or Director valuers, with changes in fair value being included in the income statement. Valuations are generally carried out twice a year. In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment properties.

Leasehold properties

Leasehold properties that are leased to tenants under operating leases are classified as investment properties or development properties, as appropriate, and included in the balance sheet at fair value.

Capital expenditure

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is expensed as incurred. Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is capitalised subject to meeting certain criteria related to the degree of time spent on and the nature of specific projects.

Property transactions

Acquisitions and disposals are accounted for at the date of legal completion. Investment properties are reclassified as held for sale once contracts have been exchanged and are transferred between categories at the estimated market value on the transfer date.

1 SIGNIFICANT ACCOUNTING POLICIES continued

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Incentives and costs associated with entering into tenant leases are amortised on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the years in which they are incurred.

Head leases

Where an investment property is held under a head lease, the head lease is initially recognised as an asset at the present value of the minimum ground rent payable under the lease. The corresponding rent liability to the leaseholder is included in the balance sheet as a finance lease obligation.

FIXED ASSET INVESTMENTS

Fixed asset investments are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held to maturity investments", "available for sale financial assets" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount in initial recognition.

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade receivables

Trade receivables are carried at the original invoice amount less allowances made for doubtful accounts. An allowance for doubtful accounts is recorded for the difference between the carrying value and the recoverable amount where there is objective evidence that the Group will not be able to collect all amounts due. Discounts and similar allowances are recorded on an accrual basis consistent with the recognition of the related sales, using estimates based on existing contractual obligations, historical trends and the Group's experience. Long-term accounts receivables are discounted to take into account the time value of money, where material.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The fair value of forward foreign exchange contracts is calculated by reference to spot and forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated by reference to appropriate forecasts of yield curves between the balance sheet date and the maturity of the instrument. Changes in fair value are included as finance income or finance costs in the income statement, except for gains or losses on the portion of an instrument that is an effective hedge of the net investment in a foreign operation, which are recognised in the net investment hedging reserve. Derivative financial instruments are classified as non-current when they have a maturity of more than 12 months and are not intended to be settled within one year.

Trade payables

Trade payables are carried at fair value, with any gains or losses arising on remeasurement recognised in the income statement.

TAXATION

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for timing differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

EMPLOYEE BENEFITS

Pension costs

Pension liabilities, all of which relate to defined contribution schemes, are charged to the income statement as incurred.

Share-based payments

Equity settled share-based payments are measured at fair value at the date of grant. The fair values of the LTIP and the SAYE scheme are calculated using Monte Carlo simulations and the Black-Scholes model as appropriate. The fair values are dependent on factors including the exercise price, expected volatility, period to exercise and risk-free interest rate. Market-related performance conditions are reflected in the fair values at the date of grant and are expensed on a straight-line basis over the vesting period. Non-market related performance conditions are not reflected in the fair values at the date of grant. At each reporting date, the Group estimates the number of shares likely to vest under non-market related performance conditions so that the cumulative expense will ultimately reflect the number of shares that do vest. Where awards are cancelled, including when an employee ceases to pay contributions into the SAYE scheme, the remaining fair value is expensed immediately.

Own shares

Own shares held by the Group are shown as a deduction from shareholders' funds and included in other reserves. The cost of own shares is transferred to retained earnings when shares in the underlying incentive schemes vest. The shares are held in an Employee Share Ownership Trust.

1 SIGNIFICANT ACCOUNTING POLICIES continued

REVENUE

The Group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Gross rental income – Gross rental income is rental income adjusted for tenant incentives, recognised on a straight-line basis over the term of the underlying lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

Ancillary income – Ancillary income comprises rent and other income from short-term tenancies of mobile units, car park income and other sundry income and is recognised over the period of the lettings and contracts.

Service charge – Service charge income represents recharges of the running costs of the shopping centres made to tenants.

Management fees – Management fees are recognised, in line with the property management contracts, in the year to which they relate. They include income in relation to services provided by CRPM to associates and joint ventures for asset and property management, project co-ordination, procurement, and management of service charges and directly recoverable expenses.

Dividend and interest income – Dividend income from investments is recognised when the shareholders' right to receive payment has been established. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Snozone income – Revenue arises from the operation of indoor ski operations. Revenue represents the amounts received from customers (excluding VAT) for admissions tickets, membership, retail, food and beverage sales and sponsorship. Ticket revenue is recognised at point of entry. Revenue from the sale of memberships is deferred and then recognised over the period that the membership is valid. Retail and food and beverage sales revenues are recognised at the point of sale. Sponsorship revenue is recognised over the relevant contract term.

FINANCE COSTS

All borrowing costs are recognised under Finance costs in the income statement in the year in which they are incurred. Finance costs also include the amortisation of loan issue costs and any loss in the value of the Group's wholly-owned interest rate swaps.

OPERATING SEGMENTS

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. Other UK Shopping Centres consists of the Group's interest in Kingfisher Limited Partnership (Redditch). 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 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.

The Group's interests in the assets, liabilities and profit or loss of its associates and joint ventures are proportionately consolidated and are also shown on a see-through basis as this is how they are reported to the Board of Directors. There are no differences between the measurements of the segments' assets, liabilities and profit or loss as they are reported to the Board of Directors and their presentation under the Group's accounting policies.

ADJUSTED PROFIT

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. Further detail on the use of Adjusted profit and other Alternative performance measures is provided within the Financial Review.

A reconciliation of Adjusted profit to the statutory result is provided in Note 2a and, on a per share basis, in Note 9, where EPRA earnings figures are also provided.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2A OPERATING SEGMENTS

Year to 30 December 2018	Note	UK Shopping Centres Wholly-owned assets £m	UK Shopping Centres Other UK Shopping Centres[1] £m	Snozone £m	Group/ Central £m	Total £m
Rental income from external sources	2b	65.0	2.2	–	–	67.2
Property and void costs		(13.1)	(0.7)	–	–	(13.8)
Net rental income		51.9	1.5	–	–	53.4
Net interest expense		(18.7)	(1.1)	–	(0.2)	(20.0)
Snozone income/management fees[2]	2b	–	–	10.4	2.3	12.7
Management expenses		–	–	(8.7)	(6.1)	(14.8)
Investment income		–	–	–	0.4	0.4
Depreciation		–	–	(0.2)	(0.1)	(0.3)
Variable overhead (excluding non-cash items)		–	–	–	(0.8)	(0.8)
Tax charge		–	–	–	(0.1)	(0.1)
Adjusted profit		33.2	0.4	1.5	(4.6)	30.5
Revaluation of properties		(47.5)	(5.0)	–	–	(52.5)
Loss on disposal of Ipswich		–	–	–	(3.8)	(3.8)
Gain on financial instruments		2.6	–	–	–	2.6
Share-based payments		–	–	–	(0.7)	(0.7)
Other items		(0.2)	(0.8)	–	(0.7)	(1.7)
(Loss)/profit		(11.9)	(5.4)	1.5	(9.8)	(25.6)
Total assets	2b	951.0	14.8	5.1	9.9	980.8
Total liabilities	2b	(526.0)	(14.0)	(3.0)	(4.8)	(547.8)
Net assets		425.0	0.8	2.1	5.1	433.0

1. Comprises Kingfisher Redditch. For further information see Note 14.
2. Asset management fees of £3.7 million charged from the Group's CRPM entity to wholly-owned assets have been excluded from the table above.

2A OPERATING SEGMENTS continued

Year to 30 December 2017	Note	UK Shopping Centres Wholly-owned assets £m	UK Shopping Centres Other UK Shopping Centres[1] £m	Snozone £m	Group/ Central £m	Total £m
Rental income from external sources	2b	63.9	2.3	–	–	66.2
Property and void costs		(12.3)	(0.7)	–	–	(13.0)
Net rental income		51.6	1.6	–	–	53.2
Net interest expense		(18.4)	(0.9)	–	(0.3)	(19.6)
Snozone income/management fees[2]	2b	–	–	10.4	2.2	12.6
Management expenses		–	–	(8.8)	(6.8)	(15.6)
Investment income		–	–	–	0.4	0.4
Depreciation		–	–	(0.1)	(0.1)	(0.2)
Variable overhead (excluding non-cash items)		–	–	–	(1.6)	(1.6)
Tax charge		–	(0.1)	–	–	(0.1)
Adjusted profit		33.2	0.6	1.5	(6.2)	29.1
Revaluation of properties		(3.8)	(2.5)	–	–	(6.3)
Gain on financial instruments		0.7	0.4	–	–	1.1
Refinancing costs		–	(0.5)	–	–	(0.5)
Share-based payments		–	–	–	(0.9)	(0.9)
Other items		–	–	–	(0.1)	(0.1)
Profit/(loss)		30.1	(2.0)	1.5	(7.2)	22.4
Total assets	2b	984.1	30.9	4.4	12.0	1,031.4
Total liabilities	2b	(518.7)	(23.5)	(2.2)	(5.6)	(550.0)
Net assets		465.4	7.4	2.2	6.4	481.4

1. Comprises Kingfisher Redditch. For further information see Note 14.
2. Asset management fees of £3.6 million charged from the Group's CRPM entity to wholly-owned assets have been excluded from the table above.

FINANCIALS

2B RECONCILIATIONS OF REPORTABLE REVENUE, ASSETS AND LIABILITIES

Revenue	Note	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Rental income from external sources	2a	67.2	66.2
Service charge income		14.7	14.1
Management fees	2a	2.3	2.2
Snozone income	2a	10.4	10.4
Revenue for reportable segments		94.6	92.9
Elimination of inter-segment revenue		(1.4)	(1.4)
Rental income earned by associates and joint ventures	2a	(2.2)	(2.3)
Revenue per consolidated income statement	3	91.0	89.2

All revenue in the current and prior years was attributable to activities within the UK.

Assets	Note	2018 £m	2017 £m
Wholly-owned assets		951.0	984.1
Other UK Shopping Centres		14.8	30.9
Snozone		5.1	4.4
Group/Central		9.9	12.0
Total assets of reportable segments	2a	980.8	1,031.4
Adjustment for fixed asset investments		(14.0)	(23.5)
Group assets		966.8	1,007.9
Liabilities			
Wholly-owned assets		(526.0)	(518.7)
Other UK Shopping Centres		(14.0)	(23.5)
Snozone		(3.0)	(2.2)
Group/Central		(4.8)	(5.6)
Total liabilities of reportable segments	2a	(547.8)	(550.0)
Adjustment for fixed asset investments		14.0	23.5
Group liabilities		(533.8)	(526.5)
Net assets by country			
UK		433.0	481.3
Germany		–	0.1
Group net assets		433.0	481.4

3 REVENUE

	Note	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Gross rental income		51.7	51.2
Ancillary income		13.3	12.7
	2a	65.0	63.9
Service charge income	2b	14.7	14.1
External management fees		0.9	0.8
Snozone income	2a	10.4	10.4
Revenue per consolidated income statement	2b	91.0	89.2

External management fees represent revenue earned by the Group's wholly-owned Capital & Regional Property Management Limited subsidiary.

4 COST OF SALES

	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Property and void costs	**(12.7)**	(11.9)
Service charge costs	**(13.3)**	(12.7)
Snozone expenses	**(8.9)**	(8.9)
Total cost of sales	**(34.9)**	(33.5)

5 FINANCE INCOME AND COSTS

	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Finance income		
Interest receivable	**0.1**	0.1
Income from fixed asset investments	**0.4**	0.4
Gain in fair value of financial instruments:		
– Interest rate swaps	**2.6**	0.7
Total finance income	**3.1**	1.2
Finance costs		
Amortisation of deferred loan arrangement fees	**(1.0)**	(1.0)
Interest payable on bank loans and overdrafts	**(14.0)**	(13.9)
Other interest payable	**(0.5)**	(0.5)
Finance lease costs (head lease)	**(3.4)**	(3.4)
Total finance costs	**(18.9)**	(18.8)

6 LOSS/PROFIT BEFORE TAX

The loss/profit before tax has been arrived at after charging/(crediting) the following items:

	Note	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Operating lease charge		**2.1**	1.9
Other gains and losses		**4.5**	(0.3)
Depreciation of plant and equipment	11	**0.3**	0.2
Staff costs	7	**11.6**	13.1
Auditor's remuneration for audit services (see below)		**0.2**	0.2

In the current year Other gains and losses relate primarily to a loss of £3.8 million in relation to the 2017 disposal of Ipswich following the final true-up of deferred consideration after the end of the two-year earn-out window and £0.8 million of impairment related to Kingfisher Redditch (see Note 14b).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

6 LOSS/PROFIT BEFORE TAX continued

AUDITOR'S REMUNERATION

The analysis of the Auditor's remuneration is as follows:

	Year to 30 December 2018 £'000	Year to 30 December 2017 £'000
Fees payable to the Company's Auditor and its associates for the audit of the Company's annual financial statements	**83**	83
Fees payable to the Company's Auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	**72**	74
Total audit fees for the Company and its subsidiaries	**155**	157
Audit-related assurance services – Review of Interim Report	**40**	41
Audit-related assurance services – Agreed upon procedures review	**–**	2
Consultancy services	**20**	–
Total non-audit fees	**60**	43
Total fees paid to Auditor and their associates	**215**	200

7 STAFF COSTS

	Note	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Salaries		**8.8**	9.5
Discretionary bonuses		**0.9**	1.4
Share-based payments	20	**0.8**	0.9
		10.5	11.8
Social security		**0.9**	1.2
Other pension costs		**0.2**	0.1
		11.6	13.1

Staff costs amounting to £0.4 million (2017: £0.4 million) have been capitalised as development costs during the year.

Staff numbers

The monthly average number of employees (including Executive Directors), being full-time equivalents, employed by the Group during the year was as follows:

	Year to 30 December 2018 Number	Year to 30 December 2017 Number
CRPM/PLC	**43**	46
Shopping centres	**70**	67
Snozone	**135**	132
Total staff numbers	**248**	245

The monthly average number of total employees (including Executive Directors) employed within the Group during the year was 367 (CRPM – 45, Shopping centres – 85, Snozone – 237) compared to 354 in 2017 (CRPM – 49, Shopping centres – 80, Snozone – 225).

8 TAX

8A TAX CHARGE

	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Current tax		
UK corporation tax	–	–
Adjustments in respect of prior years	–	–
Total current tax credit	–	–
Deferred tax		
Adjustments in respect of prior years	(0.1)	–
Total deferred tax	(0.1)	–
Total tax charge	(0.1)	–

£nil (2017: £nil) of the tax charge relates to items included in other comprehensive income.

8B TAX CHARGE RECONCILIATION

	Note	Year to 30 December 2018 £m	Year to 30 December 2017 £m
(Loss)/profit before tax on continuing operations		(25.5)	22.4
(Loss)/profit multiplied by the UK corporation tax rate of 19% (2017: 19.25%)		(4.9)	4.3
REIT exempt income and gains		3.1	(4.0)
Non-allowable expenses and non-taxable items		1.7	(0.4)
Excess tax losses		0.1	0.1
Adjustments in respect of prior years		0.1	–
Total tax charge	8a	0.1	–

8C DEFERRED TAX

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 the Finance Act 2016. Consequently, the UK corporation tax rate at which the deferred tax is booked in the Financial Statements is 17% (2017: 17%).

The Group has recognised a deferred tax asset of £nil (2017: £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 £18.7 million (2017: £12.3 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 (2017: £nil). The Group has unused capital losses of £24.9 million (2017: £25.1 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.

8D REIT COMPLIANCE

The Group converted to a group REIT on 31 December 2014. As a result, the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to achieve and retain group REIT status, several entrance tests had to be met and certain ongoing criteria must be maintained. The main criteria are as follows:

- at the start of each accounting year, the value of the assets of the property rental business plus cash must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the property rental business; and
- at least 90% of the Group's UK property rental profits as calculated under tax rules must be distributed.

The Directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9 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 tables:

9A EARNINGS PER SHARE CALCULATION

	Note	Year to 30 December 2018 Loss	EPRA	Adjusted profit	Year to 30 December 2017 Profit	EPRA	Adjusted profit
Profit (£m)							
(Loss)/profit for the year		(25.6)	(25.6)	(25.6)	22.4	22.4	22.4
Revaluation loss on investment properties (net of tax)	9b	–	52.5	52.5	–	6.3	6.3
Loss on disposal of Ipswich (net of tax)	9b	–	3.8	3.8	–	–	–
Changes in fair value of financial instruments	9b	–	(2.6)	(2.6)	–	(1.1)	(1.1)
Refinancing costs	2a	–	–	–	–	0.5	0.5
Share-based payments	2a	–	–	0.7	–	–	0.9
Other items		–	0.6	1.7	–	(0.3)	0.1
(Loss)/profit (£m)		(25.6)	28.7	30.5	22.4	27.8	29.1
Earnings per share (pence)		(3.5)	4.0	4.2	3.2	3.9	4.1
Diluted earnings per share (pence)		(3.5)	4.0	4.2	3.1	3.9	4.1

None of the current or prior year earnings related to discontinued operations (2017: none).

Weighted average number of shares (m)	Note	Year to 30 December 2018	Year to 30 December 2017
Ordinary shares in issue		721.9	709.2
Own shares held	21	(0.5)	(0.2)
Basic		721.4	709.0
Dilutive contingently issuable shares and share options		4.6	6.8
Diluted		726.0	715.8

At the end of the year, the Group had 8,162,625 (2017: 12,128,362) share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute earnings per share in the future, but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

9B RECONCILIATION OF EARNINGS FIGURES INCLUDED IN EARNINGS PER SHARE CALCULATIONS

	Note	Year to 30 December 2018 Revaluation movements £m	Loss on disposal of investment properties £m	Movement in fair value of financial instruments £m	Year to 30 December 2017 Revaluation movements £m	Loss on disposal of investment properties £m	Movement in fair value of financial instruments £m
Wholly-owned		(47.5)	–	2.6	(3.8)	–	0.7
Associates	14c	(5.0)	–	–	(2.5)	–	0.4
Joint ventures		–	(3.8)	–	–	–	–
Tax effect		–	–	–	–	–	–
Total	9a	(52.5)	(3.8)	2.6	(6.3)	–	1.1

9 EARNINGS PER SHARE continued

9C HEADLINE EARNINGS PER SHARE

Headline earnings per share has been calculated and presented as required by the JSE Listing Requirements.

	Year to 30 December 2018		Year to 30 December 2017	
	Basic	**Diluted**	Basic	Diluted
Profit (£m)				
(Loss)/profit for the year	**(25.6)**	**(25.6)**	22.4	22.4
Revaluation loss on investment properties (including tax)	**52.5**	**52.5**	6.3	6.3
Loss on disposal of Ipswich (net of tax)	**3.8**	**3.8**	–	–
Other items	**(0.2)**	**(0.2)**	(0.3)	(0.3)
Headline earnings	**30.5**	**30.5**	28.4	28.4
Weighted average number of shares (m)				
Ordinary shares in issue	**721.9**	**721.9**	709.2	709.2
Own shares held	**(0.5)**	**(0.5)**	(0.2)	(0.2)
Dilutive contingently issuable shares and share options	**–**	**4.6**	–	6.8
	721.4	**726.0**	709.0	715.8
Headline earnings per share (pence)	**4.2**	**4.2**	4.0	4.0

10 INVESTMENT PROPERTIES

10A WHOLLY-OWNED PROPERTIES

	Freehold investment properties £m	Leasehold investment properties £m	**Total property assets £m**
Cost or valuation			
At 30 December 2016	357.9	480.6	838.5
Acquired (The Exchange, Ilford)	79.0	–	79.0
Capital expenditure (excluding capital contributions)	4.3	12.3	16.6
Valuation deficit	(3.8)	0.3	(3.5)
At 30 December 2017	**437.4**	**493.2**	**930.6**
Capital expenditure (excluding capital contributions)	8.8	6.1	14.9
Valuation deficit[1]	(14.1)	(33.2)	(47.3)
At 30 December 2018	**432.1**	**466.1**	**898.2**

1. £47.5 million per Note 2a includes letting fee amortisation adjustment of £0.2 million (2017: £0.3 million).

10B PROPERTY ASSETS SUMMARY continued

	30 December 2018		30 December 2017	
	100% £m	Group share £m	100% £m	Group share £m
Wholly-owned				
Investment properties at fair value	**855.2**	**855.2**	886.6	886.6
Head leases treated as finance leases on investment properties	**61.3**	**61.3**	61.3	61.3
Unamortised tenant incentives on investment properties	**(18.3)**	**(18.3)**	(17.3)	(17.3)
IFRS Property Value	**898.2**	**898.2**	930.6	930.6
Associates[1]				
Investment properties at fair value	**–**	**–**	142.9	28.6
Unamortised tenant incentives on investment properties	**–**	**–**	(4.5)	(0.9)
IFRS Property Value	**–**	**–**	138.4	27.7
See-through property valuation	**855.2**	**855.2**	1,029.5	915.2
See-through IFRS Property Value	**898.2**	**898.2**	1,069.0	958.3

1. The Group's interest in the Kingfisher Limited Partnership has been reclassified to a fixed asset investment as at 30 December 2018 as set out in Note 14b.

10C VALUATIONS

External valuations at 30 December 2018 were carried out on all of the gross property assets detailed in the table above. The Group's share of the total investment properties at fair value was £878.9 million (2017: £915.2 million of £1,029.5 million).

The valuations 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.

The Group considers all of its investment properties to fall within "Level 3", as defined in Note 1. The table below summarises the key unobservable inputs used in the valuation of the Group's wholly-owned investment properties at 30 December 2018:

		Estimated rental value £ per sq ft			Equivalent yield %		
	Market Value £m	Low	Portfolio	High	Low	Portfolio	High
Wholly-owned assets	855.2	13.90	17.59	21.88	4.92	6.58	8.75

Sensitivities

The following table illustrates the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

	Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25bps change in equivalent yield		Impact on valuations of 50bps change in equivalent yield	
	Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
Wholly-owned assets	36.3	(34.8)	(32.7)	35.4	(63.0)	74.0

11 PLANT AND EQUIPMENT

	30 December 2018 £m	30 December 2017 £m
Cost		
At the start of the year	**4.8**	3.7
Additions	**0.5**	1.1
Disposals	**–**	–
At the end of the year	**5.3**	4.8
Accumulated depreciation		
At the start of the year	**(3.0)**	(2.8)
Charge for the year	**(0.3)**	(0.2)
At the end of the year	**(3.3)**	(3.0)
Carrying amount		
At the end of the year	**2.0**	1.8

12 SUBSIDIARIES

A list of the subsidiaries of the Group, including the name, country of incorporation, and proportion of ownership interest is given in Note F to the Company financial statements.

13 RECEIVABLES

	30 December 2018 £m	30 December 2017 £m
Amounts falling due after one year:		
Financial assets		
Interest rate swaps	**1.2**	0.1
	1.2	0.1
Non-financial assets		
Deferred tax asset	**–**	0.1
Unamortised tenant incentives	**5.0**	4.6
Unamortised rent-free periods	**10.3**	9.4
	16.5	14.2
Amounts falling due within one year:		
Financial assets		
Trade receivables (net of allowances)	**7.3**	8.0
Amounts owed by associates	**–**	0.2
Other receivables	**1.1**	6.1
Accrued income	**1.1**	1.0
Non-derivative financial assets	**9.5**	15.3
Financial assets carried at fair value through the profit or loss:		
Interest rate caps	**–**	–
	9.5	15.3
Non-financial assets		
Prepayments	**2.8**	3.0
Unamortised tenant incentives	**1.2**	1.2
Unamortised rent-free periods	**1.8**	2.1
	15.3	21.6

Included in the non-derivative financial assets balance are trade receivables with a carrying amount of £2.1 million (2017: £1.7 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds collateral of £0.6 million (2017: £0.8 million) over trade receivables as security deposits held in rent accounts. The average age of trade receivables is 29 days (2017: 30 days).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13 RECEIVABLES continued

	30 December 2018 £m	30 December 2017 £m
Analysis of non-derivative current financial assets		
Not past due	**7.4**	13.6
Past due but not individually impaired:		
Less than 1 month	**0.7**	0.8
1 to 3 months	**0.6**	–
3 to 6 months	**0.5**	0.6
Over 6 months	**0.3**	0.3
	9.5	15.3

	30 December 2018 £m	30 December 2017 £m
Allowances for doubtful receivables		
At the start of the year	**0.7**	0.7
Additional allowances created	**1.8**	1.8
Utilised during the year	**(0.9)**	(1.5)
Unused amounts reversed	**(0.3)**	(0.3)
At the end of the year	**1.3**	0.7

14 INVESTMENT IN ASSOCIATES

14A SHARE OF RESULTS

	Note	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Share of results of associates	14c	**(4.6)**	(2.0)
		(4.6)	(2.0)

14B INVESTMENT IN ASSOCIATES

	Note	30 December 2018 £m	30 December 2017 £m
At the start of the year		**7.4**	13.9
Share of results of associates	14c	**(4.6)**	(2.0)
Dividends and capital distributions received		**(1.2)**	(4.5)
Impairment		**(0.8)**	–
Reclassification to Fixed asset investments		**(0.8)**	–
At the end of the year	14c	**–**	7.4

The Group's only significant associate during 2017 and 2018 was the Kingfisher Limited Partnership in which the Group is in partnership with funds under the management of Oaktree Capital Management LP. The Kingfisher Limited Partnership owns The Kingfisher Shopping Centre in Redditch. The Group has previously accounted for its interest as an associate on the basis that 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. We consider that we did not exercise significant influence at year end and, reflecting this, the Group's remaining interest in the Kingfisher Limited Partnership has been reclassified to a Fixed Asset Investment as at 30 December 2018 at a carrying value of £0.8 million.

14 INVESTMENT IN ASSOCIATES continued

14C ANALYSIS OF INVESTMENT IN ASSOCIATES

	Year to 30 December 2018[1] Total £m	Year to 30 December 2017[1] Total £m
Income statement (100%)		
Revenue – gross rent	**10.8**	11.3
Property and management expenses	**(2.4)**	(2.7)
Void costs	**(1.0)**	(1.1)
Net rent	**7.4**	7.5
Net interest payable	**(5.7)**	(4.1)
Contribution	**1.7**	3.4
Revaluation of investment properties	**(24.7)**	(12.4)
Fair value of interest rate swaps	**–**	1.9
Refinancing costs	**–**	(2.5)
Loss before tax	**(23.0)**	(9.6)
Tax	**0.2**	(0.2)
Loss after tax	**(22.8)**	(9.8)
Balance sheet (100%)		
Investment properties	**–**	138.4
Other assets	**–**	16.1
Current liabilities	**–**	(6.3)
Non-current liabilities	**–**	(111.3)
Net assets (100%)	**–**	36.9
Income statement (Group share)		
Revenue – gross rent	**2.2**	2.3
Property and management expenses	**(0.5)**	(0.5)
Void costs	**(0.2)**	(0.2)
Net rent	**1.5**	1.6
Net interest payable	**(1.1)**	(0.9)
Contribution	**0.4**	0.7
Revaluation of investment properties	**(5.0)**	(2.5)
Fair value of interest rate swaps	**–**	0.4
Refinancing costs	**–**	(0.5)
Loss before tax	**(4.6)**	(1.9)
Tax	**–**	(0.1)
Loss after tax	**(4.6)**	(2.0)
Balance sheet (Group share)		
Investment properties	**–**	27.7
Other assets	**–**	3.3
Current liabilities	**–**	(1.3)
Non-current liabilities	**–**	(22.3)
Net assets (Group share)	**–**	7.4

1. Comprised Kingfisher Redditch.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15 CASH AND CASH EQUIVALENTS

	30 December 2018 £m	30 December 2017 £m
Cash at bank and in hand	27.3	24.4
Security deposits held in rent accounts	0.6	0.8
Other restricted balances	4.1	5.0
	32.0	30.2

Cash at bank and in hand include amounts subject to a charge against various borrowings and may therefore not be immediately available for general use by the Group. All of the above amounts at 30 December 2018 were held in sterling other than £0.2 million which was held in Euros (30 December 2017: £0.9 million).

16 TRADE AND OTHER PAYABLES

	30 December 2018 £m	30 December 2017 £m
Amounts falling due after one year:		
Financial liabilities		
Accruals	0.3	0.3
Other creditors	1.7	1.8
Non-derivative financial liabilities	2.0	2.1
Financial liabilities carried as fair value through profit or loss		
Interest rate swaps	0.2	1.5
	2.2	3.6
Amounts falling due within one year:		
Financial liabilities		
Trade payables	2.8	2.3
Accruals	17.6	17.3
Other creditors	5.3	8.4
Non-derivative financial liabilities	25.7	28.0
Non-financial liabilities		
Deferred income	10.5	10.4
Other taxation and social security	0.9	0.6
	37.1	39.0

The average age of trade payables is 34 days (2017: 36 days). No amounts incur interest (2017: £nil).

17 BANK LOANS

17A 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.

Borrowings at amortised cost	Note	30 December 2018 £m	30 December 2017 £m
Secured			
Fixed and swapped bank loans	17d	**438.4**	428.4
Variable rate bank loans	17d	**–**	–
Total borrowings before costs		**438.4**	428.4
Unamortised issue costs		**(5.5)**	(6.2)
Total borrowings after costs		**432.9**	422.2
Analysis of total borrowings after costs			
Current		**–**	–
Non-current		**432.9**	422.2
Total borrowings after costs		**432.9**	422.2

Four Mall assets facility

During the period, £10 million was drawn on the £100 million bank facility with The Royal Bank of Scotland plc to fund capital expenditure. This facility and a £165 million loan with Teachers Insurance and Annuity Association of America are secured on the four assets at Blackburn, Maidstone, Walthamstow and Wood Green.

Hemel Hempstead capital expenditure facility and Group revolving credit facility

On 13 March 2019 the Group completed a new £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 was undrawn at 30 December 2017 and 30 December 2018.

17B MATURITY OF BORROWINGS

	Note	30 December 2018 £m	30 December 2017 £m
Greater than 5 years		**304.0**	401.5
From 2 to 5 years		**134.4**	26.9
Due after more than one year		**438.4**	428.4
Current		**–**	–
	17a	**438.4**	428.4

17C UNDRAWN COMMITTED FACILITIES

	30 December 2018 £m	30 December 2017 £m
Expiring greater than 5 years	**–**	10.0
Expiring between 2 and 5 years	**30.0**	30.0

The Articles of the Company include some restrictions on borrowing but this did not limit the amount available for drawdown on the above facility during the current year or the preceding year.

FINANCIALS

17 BANK LOANS continued

17D INTEREST RATE AND CURRENCY PROFILE OF BORROWINGS

	Note	30 December 2018 £m	30 December 2017 £m
Fixed and swapped rate borrowings			
Between 2% and 3%		39.0	39.0
Between 3% and 4%		399.4	389.4
	17a	438.4	428.4
Variable rate borrowings	17a	–	–
		438.4	428.4

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

18A OVERVIEW

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 17a; cash and cash equivalents as disclosed in Note 15; and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Statement of changes in equity. For the purpose of calculating gearing ratios, debt is defined as long and short–term borrowings (excluding derivatives) excluding unamortised issue costs. Equity includes all capital and reserves of the Group attributable to equity holders of the Company.

The Group is not subject to externally imposed capital requirements. The Board reviews the capital structure and cost of capital on an annual basis and has set out a target range for net debt to property value of 40% to 50% in the medium term. The risks associated with each class of capital are also considered as part of the risk reviews presented to the Audit Committee and the Board.

Gearing ratios

Statutory	Note	30 December 2018 £m	30 December 2017 £m
Debt before unamortised issue costs	17a	438.4	428.4
Cash and cash equivalents	15	(27.3)	(24.4)
Group net debt		411.1	404.0
Equity		433.0	481.6
Net debt to equity ratio		95%	84%

See-through	Note	30 December 2018 £m	30 December 2017 £m
Debt before unamortised issue costs	18e	438.4	451.0
Cash and cash equivalents		(27.3)	(26.3)
See-through net debt		411.1	424.7
Equity		433.0	481.6
Net debt to equity ratio		95%	87%
Properties at valuation			
Wholly-owned	10b	855.2	886.6
Associates (Group share)		–	28.6
Total Group Property at valuation		855.2	915.2
Net debt to property value ratio		48%	46%

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

18A OVERVIEW continued

Categories of financial (liabilities)/assets

	Note	2018 Carrying value £m	2018 Gain/(loss) to income £m	2018 Gain to equity £m	2017 Carrying value £m	2017 Gain/(loss) to income £m	2017 Gain to equity £m
Financial assets							
Current receivables	13	9.5	–	–	15.3	–	–
Cash and cash equivalents	15	32.0	–	–	30.2	–	–
Loans and receivables		41.5	–	–	45.5	–	–
Interest rate swaps	13	1.2	2.3	–	0.1	0.1	–
Interest rate caps	13	–	–	–	–	–	–
Assets at fair value held for trading		1.2	2.3	–	0.1	0.1	–
Financial liabilities							
Current payables	16	(25.7)	–	–	(28.0)	–	–
Current borrowings	17a	–	–	–	–	–	–
Non-current payables	16	(2.0)	–	–	(2.1)	–	–
Non-current borrowings	17a	(432.9)	(1.0)	–	(422.2)	(1.0)	–
Liabilities at amortised cost		(460.6)	(1.0)	–	(452.3)	(1.0)	–
Interest rate swaps	16	(0.2)	0.3	–	(1.5)	0.6	–
Liabilities at fair value held for trading		(0.2)	0.3	–	(1.5)	0.6	–
Total financial (liabilities)/assets		(418.1)	1.6	–	(408.2)	(0.3)	–

Significant accounting policies

Details of the significant accounting policies adopted in respect of each class of financial asset, financial liability and equity instrument, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, are disclosed in the significant accounting policies in Note 1.

Financial risk management objectives

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business. The Group seeks to minimise the effect of these risks by using derivative financial instruments to manage exposure to fluctuations in interest rates and foreign currency exchange rates. Such instruments are not employed for speculative purposes. The use of any derivatives is approved by the Board, which provides guidelines on the acceptable levels of interest rate risk, credit risk, foreign exchange risk and liquidity risk, and the ranges of hedging required against these risks.

18B INTEREST RATE RISK

The Group manages its interest rate risk through a combination of fixed rate loans and interest rate derivatives, typically interest rate swaps or caps. The Group's objective in managing its interest rate risk is to ensure that it always maintains sufficient headroom to cover interest payments from anticipated cash flows and the Directors regularly review the ratio of fixed to floating rate debt to assist this process. The Group does not hedge account its interest rate derivatives and states them at fair value with changes in fair value included in the income statement.

The following table shows a summary of the Group's interest rate cap and swap contracts and their maturity dates:

	Loan facility	Maturity date	Notional principal	Contract fixed rate	30 December 2018 fair value £m asset/(liability)
Interest rate swap	Hemel Hempstead	6 February 2023	£18,650,000	1.33%	(0.1)
Interest rate swap	Hemel Hempstead	6 February 2023	£8,237,000	1.30%	–
Interest rate swap	The Mall, Luton	30 December 2023	£107,500,000	1.14%	0.5
Interest rate swap	Four Mall assets	22 January 2024	£100,000,000	1.13%	0.5
Interest rate swap	The Exchange, Ilford	8 March 2024	£39,000,000	1.00%	0.4

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

18B INTEREST RATE RISK continued

Sensitivity analysis

The following table shows the Group's sensitivity to a 100bps increase or decrease in interest rates. To calculate the impact on the income statement for the year, the interest rates on all external floating rate interest-bearing loans and borrowings and interest-earning cash, including loans and cash within associates and joint ventures, have been increased or decreased by 100bps. The income statement impact includes the estimated effect of a 100bps decrease or increase in interest rates on the market values of interest rate derivatives.

	100bps increase in interest rates		100bps decrease in interest rates	
	Year to 30 December 2018 £m	Year to 30 December 2017 £m	**Year to 30 December 2018 £m**	Year to 30 December 2017 £m
Floating rate loans and cash – (loss)/gain	**–**	(0.1)	**–**	0.1
Interest rate derivatives – gain/(loss)	**13.0**	15.8	**(13.0)**	(15.8)
Impact on the income statement – gain/(loss)	**13.0**	15.7	**(13.0)**	(15.7)
Impact on equity – gain/(loss)	**13.0**	15.7	**(13.0)**	(15.7)

18C CREDIT RISK

The Group's principal financial assets are bank and cash balances, short–term deposits, trade and other receivables and investments. Credit risk, being the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, is primarily attributable to loans and trade and other receivables, which are principally amounts due from tenants. Credit risk arising from tenants is mitigated as the Group receives most rents in advance, monitors credit ratings for significant tenants and makes an allowance for doubtful receivables that represents the estimate of potential losses in respect of trade receivables. The Group's allowance for doubtful receivables disclosed in Note 13 to the financial statements is considered to represent the Group's best estimate of the exposure to credit risk associated to trade receivables.

The credit risk on short–term deposits and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group is not exposed to significant credit risk on its other financial assets.

18D LIQUIDITY RISK

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The day-to-day operations of the Group are largely funded through the items included in the breakdown of Adjusted profit included in Note 2a. The majority of income within Adjusted profit is received quarterly, since the inflows and outflows from net rental income and net interest payable generally coincide with English quarter days, and property management fees are billed quarterly. As a result, the Group normally has sufficient funds to cover recurring administrative expenses which occur throughout the year. Liquidity risk therefore arises principally from the need to make payments for non-recurring items, such as tax payments and the close-out of derivative financial instruments.

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group maintains a rolling 18-month forecast of anticipated recurring and non–recurring cash flows under different scenarios. This is compared to expected cash balances and amounts available for drawdown on the Group's core revolving credit facility to ensure that any potential shortfalls in funding are identified and managed. The Group's primary means of managing liquidity risk are its long-term debt facilities and its core revolving credit facility, expiring in January 2022, which had £30.0 million fully available at 30 December 2018 as disclosed in Note 17c.

The following table shows the maturity analysis of non–derivative financial assets/(liabilities) at the balance sheet date and, where applicable, their effective interest rates.

2018	Note	**Effective interest rate %**	**Less than 1 year £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**	**Total £m**
Financial assets							
Current receivables	13		**9.5**	**–**	**–**	**–**	**9.5**
Cash and cash equivalents	15	**0.2%**	**32.0**	**–**	**–**	**–**	**32.0**
Non-current receivables	13		**–**	**–**	**–**	**–**	**–**
			41.5	**–**	**–**	**–**	**41.5**
Financial liabilities							
Borrowings – bank loans	17a	**3.3%**	**–**	**–**	**(132.4)**	**(300.5)**	**(432.9)**
Borrowings – other loans	16	**2.3%**	**–**	**–**	**(1.7)**	**–**	**(1.7)**
Current payables	16		**(25.7)**	**–**	**–**	**–**	**(25.7)**
Non-current payables	16		**–**	**(0.3)**	**–**	**–**	**(0.3)**
			(25.7)	**(0.3)**	**(134.1)**	**(300.5)**	**(460.6)**

2017	Note	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets							
Current receivables	13		15.3	–	–	–	15.3
Cash and cash equivalents	15	0.2%	30.2	–	–	–	30.2
			45.5	–	–	–	45.5
Financial liabilities							
Borrowings – bank loans	17a	3.3%	–	–	(27.4)	(394.8)	(422.2)
Borrowings – other loans	16	2.3%	–	–	(1.8)	–	(1.8)
Current payables	16		(28.0)	–	–	–	(28.0)
Non-current payables	16		–	(0.3)	–	–	(0.3)
			(28.0)	(0.3)	(29.2)	(394.8)	(452.3)

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

18D LIQUIDITY RISK continued

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash inflows/(outflows) of financial liabilities based on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

2018	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Borrowings – fixed bank loans	(14.2)	(14.2)	(14.2)	(14.2)	(147.7)	(321.8)	(526.3)
Borrowings – other fixed loans	–	(2.3)	–	–	–	–	(2.3)
Non-interest bearing	(25.7)	(0.3)	–	–	–	–	(26.0)
	(39.9)	(16.8)	(14.2)	(14.2)	(147.7)	(321.8)	(554.6)

2017	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Borrowings – fixed bank loans	(14.0)	(14.0)	(14.0)	(14.0)	(40.1)	(429.4)	(525.5)
Borrowings – other fixed loans	–	–	(2.3)	–	–	–	(2.3)
Non-interest bearing	(28.0)	(0.3)	–	–	–	–	(28.3)
	(42.0)	(14.3)	(16.3)	(14.0)	(40.1)	(429.4)	(556.1)

The following tables detail the Group's remaining contractual maturity for its derivative financial assets/(liabilities), all of which are net settled, based on the undiscounted net cash inflows/(outflows). When the amount payable or receivable is not fixed, it has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

2018	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	–	–	–	–	(0.1)	1.4	1.3
	–	–	–	–	(0.1)	1.4	1.3

2017	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	–	–	–	–	–	(1.4)	(1.4)
	–	–	–	–	–	(1.4)	(1.4)

18E FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments together with their carrying amounts in the balance sheet are as follows:

	Note	Notional principal £m	2018 Book value £m	2018 Fair value £m	2017 Book value £m	2017 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling-denominated loans	18a		**(438.4)**	**(437.9)**	(428.4)	(430.0)
Total on balance sheet borrowings			**(438.4)**	**(437.9)**	(428.4)	(430.0)
Group share of associate borrowings			**–**	**–**	(22.6)	(22.6)
Total see-through borrowings	18a		**(438.4)**	**(437.9)**	(451.0)	(452.6)
Derivative assets/(liabilities) at fair value through income statement						
Interest rate caps	13		**–**	**–**	–	–
Interest rate swaps		438.4	**1.3**	**1.3**	(1.4)	(1.4)
Total on balance sheet derivatives			**1.3**	**1.3**	(1.4)	(1.4)
Group share of sterling interest rate caps in associates and joint ventures		–	**–**	**–**	0.1	0.1
Group share of sterling interest rate swaps in associates and joint ventures			**–**	**–**	–	–
Total see-through derivatives			**1.3**	**1.3**	(1.3)	(1.3)

The fair value of borrowings has been estimated on the basis of quoted market prices. Details of the Group's cash and deposits are disclosed in Note 15 and their fair values are equal to their book values. All of the above financial instruments are measured, subsequent to initial recognition, at fair value. All instruments were considered to be Level 2, as defined in Note 1. There were no transfers between Levels in the year.

19 SHARE CAPITAL

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2018 Number	2017 Number	2018 £m	2017 £m
Ordinary shares of 1p each				
At the start of the year	**718,275,760**	702,342,500	**7.2**	7.0
Shares issued	**8,113,357**	15,933,260	**0.1**	0.2
Total called-up share capital	**726,389,117**	718,275,760	**7.3**	7.2

The Company has one class of ordinary shares which carry voting rights but no right to fixed income. The Company maintains a Secondary Listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 December 2018, 64,420,122 (2017: 60,477,452) of the Company's shares were held on the JSE register. The table below outlines the movements of shares in the year:

	Price per share (pence)	No. of shares	Total no. of shares	Nominal value (£m)	Share premium (£m)
Brought forward at 31 December 2017			718,275,760	7.2	163.3
May 2018 – Final 2017 Scrip Dividend	51.77	3,964,342	722,240,102	–	2.0
April 2018 – to satisfy Long Term Incentive awards	0.01	1,000,000	723,240,102	–	–
October 2018 – Interim 2018 Scrip Dividend	41.64	3,149,015	726,389,117	0.1	1.2
Carried forward at 30 December 2018			**726,389,117**	**7.3**	**166.5**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

20 SHARE-BASED PAYMENTS

The Group's share-based payments comprise the 2008 LTIP and the Executive Directors' deferred bonus. Further details are disclosed in the Directors' Remuneration Report.

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant. For options with market based conditions these are calculated using either a Black–Scholes option pricing model or a Monte Carlo simulation. For the elements of options that include non-market based conditions an initial estimate is made of the likely qualifying percentage; this is subsequently updated at each reporting date.

Income statement charge	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Equity-settled share-based payments – 2008 LTIP	0.7	0.9

The figures above exclude a National Insurance credit in the year of £0.1 million (2017: charge of £0.2 million).

Movements during the year	Number of Options
Outstanding at 30 December 2016	21,738,716
Granted during the year	6,367,945
Exercised during the year	(6,759,688)
Forfeited during the year	(6,643,491)
Outstanding at 30 December 2017	14,703,482
Granted during the year	4,632,222
Exercised during the year[1]	(691,480)
Forfeited during the year	(6,128,416)
Outstanding at 30 December 2018	12,515,808
Exercisable at the end of the year	–

1. The weighted average share price of options exercised during the year was 45.1p (2017: 54.8p).

	2008 LTIP				
Assumptions	August 2014	March 2015	August 2016	April 2017	April 2018
Share price at grant date	46.8p	57.8p	59.5p	59.5p	53.5p
Exercise price	0.0p	0.0p	0.0p	0.0p	0.0p
Expected volatility	36%	34%	27%	19%	16%
Expected life including holding period (years)	4.50	4.50	5.00	5.00	5.00
Average life remaining including holding period (years)	0.62	0.68	2.64	3.30	4.30
Risk-free rate	0.96%	0.96%	0.56%	0.53%	1.14%
Expected dividend yield	4.53%	5.00%	5.00%	5.70%	6.80%
Lapse rate	0%	0%	0%	0%	0%
Fair value of award at grant date per share	13p	23p	26p	25p	21p

Expected volatility is based on the historical volatility of the Group's share price over the three years to the date of grant. The ten-year UK Gilt rate at time of grant is used for estimating the risk-free rate. Options are assumed to be exercised at the earliest possible date.

21 OWN SHARES HELD

	Own shares held £m
At the start of the year	0.1
Disposed of	(0.1)
At the end of the year	–

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2018, the Capital & Regional plc 2002 Employee Share Trust (the "ESOT") held 491,219 (2017: 182,699) shares to assist the Group in meeting the outstanding share awards under the schemes described above. The right to receive dividends on these shares has been waived. The market value of these shares at 30 December 2018 was £0.1 million (2017: £0.1 million).

22 RECONCILIATION OF NET CASH FROM OPERATIONS

	Notes	Year to 30 December 2018 £m	Year to 30 December 2017 £m
(Loss)/profit for the year		(25.6)	22.4
Adjusted for:			
Income tax charge	8a	0.1	–
Finance income		(3.1)	(1.2)
Finance expense		18.9	18.8
Finance lease costs (head lease)		(3.4)	(3.4)
Loss on revaluation of wholly-owned properties		47.5	3.8
Share of loss in associates	14a	4.6	2.0
Depreciation of other fixed assets	11	0.3	0.2
Other gains and losses		4.5	(0.3)
Decrease/(increase) in receivables		2.3	(3.6)
(Decrease)/increase in payables		(0.2)	3.4
Non-cash movement relating to share-based payments		0.8	0.9
Net cash from operations		46.7	43.0

23 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

				Non-cash changes		
2018	Note	**Opening**	**Financing cash flows**	**Fair value adjustments**	**Other changes**	**30 December 2018**
Bank loans	17a	422.2	9.9	–	0.8	432.9
Interest rate swaps	16	1.5	–	(1.3)	–	0.2
Finance lease liabilities	26	61.7	–	–	(0.1)	61.6
Total liabilities from financing activities		485.4	9.9	(1.3)	0.7	494.7

				Non-cash changes		
2017	Note	Opening	Financing cash flows	Fair value adjustments	Other changes	30 December 2017
Bank loans	17a	360.8	53.2	–	8.2	422.2
Interest rate swaps	16	2.1	–	(0.6)	–	1.5
Finance lease liabilities	26	61.3	–	–	0.4	61.7
Total liabilities from financing activities		424.2	53.2	(0.6)	8.6	485.4

24 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:

	Note	30 December 2018 Net assets £m	30 December 2018 Number of shares (m)	30 December 2018 Net assets per share (£)	30 December 2017 Net assets per share (£)
Basic net assets		433.0	726.4	0.60	0.67
Own shares held	21		(0.5)		
Dilutive contingently issuable shares and share options			4.6		
Fair value of fixed rate loans (net of tax)		0.5			
EPRA triple net assets		433.5	730.5	0.59	0.66
Exclude fair value of fixed-rate loans (net of tax)		(0.5)			
Exclude fair value of see-through interest rate derivatives	18e	(1.3)			
Exclude deferred tax on unrealised gains and capital allowances		–			
EPRA net assets		431.7	730.5	0.59	0.67

25 RETURN ON EQUITY

	30 December 2018 £m	30 December 2017 £m
Total comprehensive income attributable to equity shareholders	(25.6)	22.4
Opening equity shareholders' funds plus time weighted additions	482.9	480.1
Return on equity	(5.3)%	4.7%

26 LEASE ARRANGEMENTS

THE GROUP AS LESSEE – OPERATING LEASES

At the balance sheet date, the Group's future minimum lease payments under non–cancellable operating leases related to land and buildings were as follows:

	2018 £m	2017 £m
Lease payments		
Within one year	(2.2)	(2.1)
Between one and five years	(9.0)	(9.1)
After five years	(7.6)	(9.7)
	(18.8)	(20.9)

Operating lease payments are denominated in sterling and have an average remaining lease length of 8 years (2017: 9 years) and rentals are fixed for an average of 3 years (2017: 2 years). During the year there were no contingent rents (2017: £nil) and the Group incurred lease payments recognised as an expense of £2.1 million (2017: £1.9 million).

THE GROUP AS LESSEE – FINANCE LEASES

At the balance sheet date, the Group's future minimum lease payments under finance leases were as follows:

	2018 £m	2017 £m
Lease payments		
Within one year	3.5	3.5
Between one and five years	13.9	13.9
After five years	358.2	361.7
	375.6	379.1
Future finance charges on finance leases	(314.0)	(317.4)
Present value of finance lease liabilities	61.6	61.7

Finance lease liabilities are in respect of head leases on investment property. These leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above.

26 LEASE ARRANGEMENTS continued

THE GROUP AS LESSOR

The Group leases out all of its investment properties under operating leases for average lease terms of 7 years (2017: 7 years) to expiry. The leasing arrangements are summarised in the portfolio information on page 122. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Unexpired average lease term Years	Less than 1 year £m	2–5 years £m	6–10 years £m	11–15 years £m	16-20 years £m	More than 20 years £m	**30 December 2018 Total £m**	30 December 2017 Total £m
6.8	44.8	116.4	60.7	29.2	15.6	79.9	**346.6**	361.6

27 CAPITAL COMMITMENTS

At 30 December 2018, the Group's share of the capital commitments of its associates, joint ventures and wholly-owned properties was £3.5 million (2017: £4.7 million) relating to capital expenditure projects.

28 CONTINGENT LIABILITIES

GERMAN JOINT VENTURE

Under the terms of the German joint venture disposal, completed on 10 February 2015, the Group gave certain customary warranties as to their title to the relevant shares and certain warranties in relation to the German joint venture generally. In addition, Capital & Regional plc has provided an indemnity to the purchaser for potential German Real Estate Transfer Tax (RETT) liabilities if they arise out of actions undertaken by the Group within 5 years post completion. All such actions covered by the indemnity are within the Group's control. The maximum RETT liability based on the property valuation at the time of sale was approximately €20 million.

29 EVENTS AFTER THE BALANCE SHEET DATE

RESTRUCTURING OF HOLDING IN THE KINGFISHER LIMITED PARTNERSHIP

The restructuring of the Group's holding in the Kingfisher Limited Partnership completed on 8 March 2019. See Note 14b for further information.

HEMEL HEMPSTEAD CAPITAL EXPENDITURE FACILITY AND AMENDMENT TO THE GROUP REVOLVING CREDIT FACILITY

A £7 million facility to part fund a cinema development and related leisure works at Hemel Hempstead completed on 13 March 2019. At the same time the Group's revolving credit facility was rebased to £15 million. See note 17a for further information.

30 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and joint ventures, all of which occurred at normal market rates, are disclosed below.

	Fee income and rent income		**Net amounts receivable from**	
	Year to 30 December 2018 £m	Year to 30 December 2017 £m	**As at 30 December 2018 £m**	As at 30 December 2017 £m
Kingfisher Limited Partnership (Redditch)	**0.7**	0.7	**–**	0.2

The Group's interest in the Kingfisher Limited Partnership has been reclassified to a Fixed Asset Investment as at 30 December 2018, as disclosed in Note 14b.

Amounts receivable from associates and joint ventures are unsecured and do not incur interest, they are payable on demand and settled in cash. Management fees are received by Capital & Regional Property Management Limited (CRPM) and are payable on demand. They are unsecured, do not incur interest and are settled in cash.

The Group paid £0.1 million in 2018 (2017: £nil) to ICAMAP Advisory S.à.r.l. for consultancy services in an arm's-length agreement. ICAMAP Advisory S.à.r.l. were a related party by virtue of the Chairman of ICAMAP Advisory S.à.r.l. Guillaume Poitrinal, having served as a director of the Company during the year.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

30 RELATED PARTY TRANSACTIONS continued

PROPERTY MANAGEMENT INCENTIVE ARRANGEMENTS

CRPM will earn an additional equity return from Kingfisher Limited Partnership if distributions result in a geared return in excess of a 15% IRR. The Group will bear 12% of the cost by virtue of its investment in the Partnership. No performance fee has been recognised during the year (2017: none) as the criteria have currently not been met.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

In accordance with IAS 24, key personnel are considered to be the Executive Directors and Non-Executive Directors and members of the Executive Committee as they have the authority and responsibility for planning, directing and controlling the activities of the Group. Their remuneration in the income statement is as follows:

	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Short-term employment benefits	**1.6**	1.8
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.3**	0.6
	2.0	2.5

In both years the highest paid Director was the Chief Executive whose remuneration is disclosed in the Directors' Remuneration Report on page 56.

31 DIVIDENDS

The dividends shown below are gross of any take-up of Scrip offer.

	Year to 30 December 2018 £m	Year to 30 December 2017 £m
Final dividend per share paid for year ended 30 December 2016 of 1.77p	**–**	12.4
Interim dividend per share paid for year ended 30 December 2017 of 1.73p	**–**	12.4
Final dividend per share for year ended 30 December 2017 of 1.91p	**13.7**	–
Interim dividend per share paid for year ended 30 December 2018 of 1.82p	**13.1**	–
Amounts recognised as distributions to equity holders in the year	**26.8**	24.8
Proposed final dividend per share for year ended 30 December 2018 of 0.60p[1]	**4.4**	–

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.

FINANCIALS

COMPANY BALANCE SHEET
AS AT 30 DECEMBER 2018

Registered number: 01399411

Prepared in accordance with FRS 101

	Note	2018 £m	2017 £m
Non-current assets			
Investments	C	**459.8**	457.0
Current assets			
Receivables – amounts falling due within one year	D	**14.4**	18.7
Cash and deposits		**3.2**	1.4
Total current assets		**17.6**	20.1
Current liabilities			
Trade and other payables	E	**(17.1)**	(15.6)
Total current liabilities		**(17.1)**	(15.6)
Net current assets		**0.5**	4.5
Net assets		**460.3**	461.5
Equity			
Share capital		**7.3**	7.2
Share premium		**166.5**	163.3
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Retained earnings		**221.8**	226.3
Shareholders' funds		**460.3**	461.5

The profit for the year attributable to equity shareholders was £22.3 million (2017: £40.8 million).

These Financial Statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 2 April 2019 by:

Lawrence Hutchings
Chief Executive

Stuart Wetherly
Group Finance Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR TO 30 DECEMBER 2018

	Non-distributable				Distributable		
	Share capital £m	Share Premium £m	Capital redemption reserve £m	Retained earnings £m	Retained earnings £m	Merger reserve £m	Total £m
Balance at 30 December 2016	**7.0**	**158.2**	**4.4**	**–**	**210.3**	**60.3**	**440.2**
Retained profit for the year	–	–	–	–	40.8	–	**40.8**
Total comprehensive income for the year	–	–	–	–	40.8	–	**40.8**
Dividends paid, net of Scrip	–	–	–	–	(19.5)	–	**(19.5)**
Shares issued, net of costs	0.2	5.1	–	–	(5.3)	–	**–**
Balance at 30 December 2017	**7.2**	**163.3**	**4.4**	**–**	**226.3**	**60.3**	**461.5**
Retained profit for the year	–	–	–	–	22.3	–	**22.3**
Total comprehensive income for the year	–	–	–	–	22.3	–	**22.3**
Dividends paid, net of Scrip	–	–	–	–	(23.5)	–	**(23.5)**
Shares issued, net of costs	0.1	3.2	–	–	(3.3)	–	**–**
Balance at 30 December 2018	**7.3**	**166.5**	**4.4**	**–**	**221.8**	**60.3**	**460.3**

The Company's authorised, issued and fully paid–up share capital is described in Note 19 to the Group Financial Statements. The Company's dividends are as described in Note 31 to the Group Financial Statements. The other reserves are described in the consolidated statement of changes in equity in the Group Financial Statements.

NOTES TO THE COMPANY'S SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2018

A ACCOUNTING POLICIES

The Company's separate Financial Statements for the year ended 30 December 2018 are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The main accounting policies have been applied consistently in the current year and the preceding year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, impairment of assets and related party transactions.

The Company's financial statements are presented in pounds sterling.

Investments, amounts owed by subsidiaries and amounts owed by associates and joint ventures are stated at cost less provision for impairment. Where there is an indication that an investment is impaired, an impairment review is carried out by comparing the carrying value of the investment against its recoverable amount, which is the higher of its estimated value in use and fair value. This review involves accounting judgements about the future cash flows from the underlying associates and joint ventures and, in the case of CRPM, estimated asset management fee income less estimated fixed and variable expenses.

Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date and differences arising on translation are recognised in the income statement.

The Company's related party transactions are described in Note 30 to the Group Financial Statements. Except for the Directors, the Company had no direct employees during the year (2017: none). Information on the Directors' emoluments, share options, long-term incentive schemes and pension contributions is shown in the Directors' Remuneration Report. Further disclosures regarding the nature of the share-based payment schemes operated by the Group are included in Note 20 to the Group's Financial Statements.

B PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these Financial Statements.

The fees payable to the Company's Auditor for the audit of the Company and Group Financial Statements are disclosed in Note 6 to the Group Financial Statements.

C FIXED ASSET INVESTMENTS

	Subsidiaries £m	Other investments £m	**Total £m**
At the start of the year	456.0	1.0	**457.0**
Reversal of impairment of investments	2.8	–	**2.8**
At the end of the year	458.8	1.0	**459.8**

Investments are subject to an impairment review using discount rates between the range of 7.6% and 9.5%.

Note F shows the subsidiaries, associates and joint ventures held by the Group and the Company.

D RECEIVABLES

Amounts falling due within one year	**2018 £m**	2017 £m
Amounts owed by subsidiaries	**14.1**	18.5
Other receivables	**0.3**	0.2
	14.4	18.7

E TRADE AND OTHER PAYABLES

Amounts falling due within one year	**2018 £m**	2017 £m
Amounts owed to subsidiaries	**14.0**	12.7
Accruals and deferred income	**3.1**	2.9
	17.1	15.6

NOTES TO THE COMPANY'S SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 DECEMBER 2018 CONTINUED

F SUBSIDIARIES AT 30 DECEMBER 2018

	Nature of business	Country of incorporation	Share of voting rights
Subsidiaries			
Capital & Regional (Europe Holding 5) Limited[1]	Property investment	Jersey	100%
Capital & Regional (Jersey) Limited[1]	Property investment	Jersey	100%
Capital & Regional (Mall GP) Limited	Property investment	Great Britain	100%
Capital & Regional (Projects) Limited	Property investment	Great Britain	100%
Capital & Regional (Shopping Centres) Limited[1]	Property investment	Jersey	100%
Capital & Regional Earnings Limited	Property investment	Great Britain	100%
Capital & Regional Holdings Limited	Property investment	Great Britain	100%
Capital & Regional Ilford Limited[1]	Property investment	Jersey	100%
C&R Ilford Limited Partnership	Property investment	Great Britain	100%
C&R Ilford Nominee 1 Limited	Dormant	Great Britain	100%
C&R Ilford Nominee 2 Limited	Dormant	Great Britain	100%
C&R Ilford (General Partner) Limited	Property investment	Great Britain	100%
Capital & Regional Income Limited[2,3]	Property investment	Great Britain	100%
Capital & Regional Property Management Limited	Property management	Great Britain	100%
Green–Sinfield Limited	Dormant	Great Britain	100%
Lancaster Court (Hove) Limited	Dormant	Great Britain	100%
Lower Grosvenor Place London One Limited	Dormant	Great Britain	100%

1. Registered office at 47 The Esplanade, St Helier, Jersey JE1 0BD.
2. In liquidation/being dissolved.
3. Registered office at Griffins, Tavistock House South, Tavistock Square, London WC1H 9LG.

FINANCIALS

F SUBSIDIARIES continued

	Nature of business	Country of incorporation	Share of voting rights
Subsidiaries (continued)			
Mall Nominee One Limited	Dormant	Great Britain	100%
Mall Nominee Two Limited	Dormant	Great Britain	100%
Mall Nominee Three Limited	Dormant	Great Britain	100%
Mall Nominee Four Limited	Dormant	Great Britain	100%
Mall People Limited	Property management	Great Britain	100%
Mall Ventures Limited	Dormant	Great Britain	100%
Marlowes Hemel Limited[1]	Property investment	Jersey	100%
MB Roding (Guernsey) Limited[4]	Dormant	Guernsey	100%
Selborne One Limited	Dormant	Great Britain	100%
Selborne Two Limited	Dormant	Great Britain	100%
Selborne Walthamstow Limited[1]	Dormant	Jersey	100%
Snozone Holdings Limited	Operator of indoor ski slopes	Great Britain	100%
Snozone Leisure Limited	Operator of indoor ski slopes	Great Britain	100%
Snozone Limited	Operator of indoor ski slopes	Great Britain	100%
The Mall (General Partner) Limited	Property investment	Great Britain	100%
The Mall (Luton) (General Partner) Limited	Property investment	Great Britain	100%
The Mall Limited Partnership	Property investment	Great Britain	100%
The Mall (Luton) Limited Partnership	Property investment	Great Britain	100%
The Mall REIT Limited	Dormant	Great Britain	100%
The Mall Shopping Centres Limited	Dormant	Great Britain	100%
The Mall Unit Trust[1]	Property investment	Jersey	100%
The Mall Walthamstow One Limited	Dormant	Great Britain	100%
The Mall Walthamstow Two Limited	Dormant	Great Britain	100%
Wood Green London Limited[1]	Dormant	Jersey	100%
Wood Green One Limited	Dormant	Great Britain	100%
Wood Green Two Limited	Dormant	Great Britain	100%
Principal associate entities			
Euro B-Note Holding Limited[1]	Finance	Jersey	39.90%

1. Registered office at 47 The Esplanade, St Helier, Jersey JE1 0BD.
2. In liquidation/being dissolved.
3. Registered office at Griffins, Tavistock House South, Tavistock Square, London WC1H 9LG
4. Registered office at PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 4HP.

The registered office of all subsidiaries, unless otherwise noted, is 22 Chapter Street, London SW1P 4NP.

The shares of voting rights are equivalent to the percentages of ordinary shares or units held directly or indirectly by the Group.

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.

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.

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.

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

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.

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

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 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.

REIT – Real Estate Investment Trust.

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

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.

FIVE YEAR REVIEW (UNAUDITED)

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Balance sheet					
Property assets	**898.2**	930.6	838.5	870.0	790.8
Other non–current assets	**21.3**	18.1	17.1	18.1	21.3
Investment in joint ventures	**–**	–	–	11.7	–
Investment in associates	**–**	7.4	13.9	15.9	13.6
Cash at bank	**32.0**	30.2	49.1	49.9	42.6
Assets classified as held for sale	**–**	–	13.9	–	39.5
Other net current (liabilities)/assets	**(21.8)**	(17.4)	(362.9)	(20.0)	(26.5)
Bank loans greater than one year	**(432.9)**	(422.2)	(26.2)	(374.9)	(396.8)
Other non–current liabilities	**(63.8)**	(65.3)	(65.8)	(67.5)	(65.5)
Net assets	**433.0**	481.4	477.6	503.2	419.0
Financed by					
Called–up share capital	**7.3**	7.2	7.0	7.0	7.0
Share premium account	**166.5**	163.3	158.2	157.2	157.2
Other reserves	**64.7**	64.6	64.3	64.1	65.3
Retained earnings	**194.5**	246.3	248.1	274.9	189.5
Capital employed	**433.0**	481.4	477.6	503.2	419.0
Return on equity					
Return on equity	**(5.3)%**	4.7%	(0.9)%	23.5%	28.1%
(Decrease)/increase in NAV per share + dividend	**(5.5)%**	3.7%	(0.8)%	23.2%	12.1%
Total shareholder return	**(46.5)%**	12.7%	(12.3)%	29.8%	24.7%
Year end share price	**27.6p**	59p	55p	66p	53p
Total return					
Total comprehensive (expense)/income	**(25.6)**	22.4	(4.4)	98.4	74.1
Net assets per share					
Basic net assets per share	**60p**	67p	68p	72p	60p
EPRA triple net assets per share	**59p**	66p	67p	70p	59p
EPRA net assets per share	**59p**	67p	68p	71p	59p
Gearing	**101%**	89%	76%	76%	96%
Income statement					
Group revenue	**91.0**	89.2	87.2	80.7	46.6
Gross profit	**56.1**	55.7	54.7	51.6	28.4
(Loss)/profit on ordinary activities before financing	**(9.7)**	40.0	28.1	116.8	77.0
Net interest payable	**(15.8)**	(17.6)	(32.6)	(19.2)	(9.8)
(Loss)/profit before tax	**(25.5)**	22.4	(4.5)	97.6	67.2
Tax (charge)/credit	**(0.1)**	–	0.1	–	2.5
(Loss)/profit after tax	**(25.6)**	22.4	(4.4)	97.6	69.7
Adjusted profit	**30.5**	29.1	26.8	24.0	21.8
Adjusted earnings per share	**4.2p**	4.1p	3.8p	3.4p	4.2p
Interest cover	**3.4**	3.2	3.1	3.0	2.7
Earnings per share					
Basic	**(3.5)p**	3.2p	(1)p	14p	15p
Diluted	**(3.5)p**	3.1p	(1)p	14p	15p
EPRA	**4.0p**	3.9p	4p	3p	3p
Dividends per share	**2.42p**	3.64p	3.39p	3.12p	0.95p

COVENANT INFORMATION (UNAUDITED)

WHOLLY-OWNED ASSETS

	Borrowings £m	Covenant[1]	30 December 2018	Future changes
Core revolving credit facility				
Net assets	–	No less than £250m	**£433.0m**	
Gearing		No greater than 1.6:1	**1.0:1**	
Historic interest cover		No less than 200%	**369%**	
Four Mall assets				
Loan to value[2]	265.0	No greater than 70%	**50%**	
Historic interest cover		No less than 175%	**298%**	
A projected interest cover test also applies at a covenant level of no less than 150%				
Luton				
Loan to value[2]	107.5	No greater than 70%	**55%**	Covenant 65% from January 2022
Debt yield		No less than 8%	**10.3%**	
Historic interest cover		No less than 250%	**353%**	
A projected interest cover test also applies at a covenant level of no less than 200%				
Hemel Hempstead				
Loan to gross development value[2,3]	26.9	No greater than 60%	**43%**	
Debt to net rent		No greater than 10:1	**8.3:1**	Covenant 9:1 from April 2019
Historic interest cover		No less than 200%	**373%**	
Ilford				
Loan to value[2]	39.0	No greater than 70%	**45%**	
Historic interest cover		No less than 225%	**384%**	
A projected interest cover test also applies at a covenant level of no less than 225%				

1. Covenants quoted are the default covenant levels. The facilities typically also have cash trap mechanisms.
2. Calculated as specified in loan agreement based on 30 December 2018 valuation. Actual bank covenant based on bank valuation updated periodically.
3. Based on loan with £7 million development facility completed on 13 March 2019. Covenant assessed on current loan drawn to projected Gross Development Value of scheme with leisure development.

WHOLLY-OWNED ASSETS PORTFOLIO INFORMATION (UNAUDITED)

AT 30 DECEMBER 2018

Physical data	
Number of properties	7
Number of lettable units	760
Size (sq ft – million)	3.5
Valuation data	
Properties at independent valuation (£m)	855.2
Adjustments for head leases and tenant incentives (£m)	43.0
Properties as shown in the financial statements (£m)	**898.2**
Revaluation loss in the year (£m)	47.5
Initial yield	6.2%
Equivalent yield	6.6%
Reversion	10.7%
Loan to value ratio	51%
Net debt to value ratio	48%
Lease length (years)	
Weighted average lease length to break	6.5
Weighted average lease length to expiry	7.8
Passing rent (£m) of leases expiring in:	
2019	6.7
2020	5.9
2021–2023	15.9
ERV (£m) of leases expiring in:	
2019	8.0
2020	6.3
2021–2023	16.5
Passing rent (£m) subject to review in:	
2019	3.2
2020	4.5
2021–2023	8.7
ERV (£m) of passing rent subject to review in:	
2019	3.1
2020	4.6
2021–2023	10.3
Rental data	
Contracted rent (£m)	63.4
Passing rent (£m)	60.7
ERV (£m per annum)	67.3
ERV movement (like-for-like)	(1.8%)
Occupancy	97.0%

EPRA PERFORMANCE MEASURES (UNAUDITED)

AS AT 30 DECEMBER 2018

	Note	2018	2017
EPRA earnings (£m)	9a	**28.7**	27.8
EPRA earnings per share (diluted)	9a	**4.0p**	3.9p
EPRA net assets (£m)	24	**431.7**	482.6
EPRA net assets per share	24	**59p**	67p
EPRA triple net assets (£m)	24	**433.5**	479.8
EPRA triple net assets per share	24	**59p**	66p
EPRA vacancy rate (UK portfolio only)		**2.4%**	2.8%

EPRA net initial yield and EPRA topped-up net initial yield	2018 £m	2017 £m
Investment property – wholly-owned	**855.2**	886.6
Investment property – Kingfisher, Redditch	**23.7**	28.6
Less developments	**–**	–
Completed property portfolio	**878.9**	915.2
Allowance for capital costs	**(6.2)**	8.0
Allowance for estimated purchasers' costs	**57.9**	60.2
Grossed up completed property portfolio valuation	**930.6**	983.4
Annualised cash passing rental income	**66.7**	67.0
Property outgoings	**(11.9)**	(13.1)
Annualised net rents	**54.8**	53.9
Add: notional rent expiration of rent-free periods or other lease incentives	**2.1**	3.6
Topped-up annualised rent	**56.9**	57.5
EPRA net initial yield	**5.9%**	5.5%
EPRA topped-up net initial yield	**6.1%**	5.8%

EPRA cost ratios	2018 £m	2017 £m
Cost of sales (adjusted for IFRS head lease differential)	**35.4**	33.9
Administrative costs	**9.2**	10.2
Service charge income	**(14.7)**	(14.1)
Management fees	**(0.9)**	(0.8)
Snozone (indoor ski operation) costs	**(8.9)**	(8.9)
Share of joint venture and associate expenses	**0.7**	0.7
Less inclusive lease costs recovered through rent	**(2.5)**	(2.1)
EPRA costs (including direct vacancy costs)	**18.3**	18.9
Direct vacancy costs	**(2.8)**	(3.1)
EPRA costs (excluding direct vacancy costs)	**15.5**	15.8
Gross rental income	**65.0**	63.9
Less ground rent costs	**(2.9)**	(3.0)
Share of joint venture and associate gross rental income less ground rent costs	**2.2**	2.3
Less inclusive lease costs recovered through rent	**(2.5)**	(2.1)
Gross rental income	**61.8**	61.1
EPRA cost ratio (including direct vacancy costs)	**29.6%**	30.9%
EPRA cost ratio (excluding vacancy costs)	**25.1%**	25.9%

ADVISERS AND CORPORATE INFORMATION

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London EC4A 3BZ

Principal valuers

CBRE Limited
Kingsley House
1a Wimpole Street
London W1G 0RE

Knight Frank LLP
55 Baker Street
London W1U 8AN

Investment bankers/brokers

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Java Capital Trustees and Sponsors Proprietary Limited
(JSE sponsor)
6A Sandown Valley Crescent
Sandown, Sandton 2196
South Africa

Principal legal advisers

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF

Principal lending bankers

Royal Bank of Scotland plc
250 Bishopsgate
London EC2M 4AA

Registered office

22 Chapter Street
London SW1P 4NP
Telephone: +44 (0)20 7932 8000
capreg.com

Registered number

01399411

SHAREHOLDER INFORMATION

Registrars

Equiniti Limited (LSE)
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0371 384 2438*
International dialling: +44 (0)121 415 7047

Link Market Services South Africa Proprietary Limited
(South African Transfer Secretaries)
PO Box 4844
Johannesburg, 2000
South Africa
Helpline Number:
011 713 0800 (SA callers)
+27 11 713 0800 (if calling from outside South Africa)
info@linkmarketservices.co.za

* Lines open 08:30-17:30, Monday to Friday, excluding bank holidays in England and Wales.

Consultancy, design and production by:
jonesandpalmer.co.uk

CAPITAL &
REGIONAL

CAPITAL & REGIONAL PLC

22 Chapter Street
London SW1P 4NP

Tel: +44 (0)20 7932 8000

CAPREG.COM