14 March 2019

Capital & Regional plc ("**C&R**" or "**the Company**" or "**the Group**")

Full Year Results to 30 December 2018

Capital & Regional plc (LSE: CAL), the UK focused REIT with a portfolio of dominant in-town community shopping centres, today announces its full year results to 30 December 2018

Lawrence Hutchings, Chief Executive, *said: "These operational results clearly support the new strategy we launched just over a year ago that is focused on responding to the structural changes currently underway in the retail sector. The assets where we are most advanced in delivering our strategy have performed very strongly even in a challenging UK macro environment. This is evidenced by our footfall figures and our 87 new lettings and renewals which have on average been secured at premiums to both previous rents and ERV, while remaining at rent levels that are cost effective for occupiers.*

"We have seen an increase in the pace of the structural change that is underway in the retail sector and this requires us to continue our proactivity, with a focus on the repositioning and remerchandising of our assets whilst investing in our internalised management platform to ensure that we have the rights skills and culture to respond effectively to the changes in the sector.

"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."

HIGHLIGHTS:

Adjusted Profit growth delivered against challenging market conditions

- Like-for-like[2] Net Rental Income flat despite 20 CVAs and retailer restructurings which impacted 2018 NRI by approximately £1.5 million, or 2.9%
- Adjusted Profit[1] up 4.8% to £30.5 million (December 2017: £29.1 million); Adjusted Earnings per Share[1] up 3.2% to 4.23p (December 2017: 4.10p)
- IFRS Loss for the period of £25.6 million due to a fall in property valuations (December 2017: Profit of £22.4 million) driven by negative sentiment towards our regional retail assets which did not offset the positive valuation gains across our London portfolio
- Cost efficiencies delivered annual savings of £1.5 million in 2018 and total savings of £2.7 million from 2016, equating to c.25% of 2016 gross central costs
- A reduced final dividend of 0.60 pence per share (December 2017: 1.91p) preserving cash to fund capex investment and mitigate leverage while maintaining the Group's REIT distribution requirements

Community shopping centre strategy delivering as expected

- Like-for-like[2] footfall growth of 1.2% with 78.8 million shopper visits in 2018, once again significantly outperforming the national index which was down by 3.5%
- 87 new lettings and renewals achieved an average 3.1%[3] premium to previous rents and a 1.5%[3] premium to ERV
- Letting activity maintained a strong occupancy rate of 97%. (December 2017: 97.3%)
- £18.5 million of capex investment deployed delivering the remerchandising strategy. Key projects including Luton office refurbishment and delivery of flagship Ilford family precinct
- 25 year lease signed in February 2019 with Empire for new nine screen, state of the art cinema in Hemel Hempstead, anchoring transformation of its leisure offering and facilitating an investment of over £15 million in next two years

Long-term diversified debt structure at competitive pricing

- Group cost of debt of 3.27% with average debt maturity of 6.3 years[4]
- Basic and EPRA NAV per share, at 60p and 59p respectively (December 2017: both 67p), impacted by fall in property valuations at our regional assets
- Net LTV increased to 48% (December 2017: 46%)
- Restructured Group Revolving Credit Facility and Hemel Hempstead loan agreement to improve headroom

	2018	2017		
Net Rental Income	**£51.9m**	£51.6m	+£0.3m	+0.6%
Adjusted Profit[1]	**£30.5m**	£29.1m	+£1.4m	+4.8%
Adjusted Earnings per share[1]	**4.23p**	4.10p	+0.13p	+3.2%
IFRS (Loss)/Profit for 2018	**£(25.6)m**	£22.4m		
Total dividend per share	**2.42p**	3.64p	-1.22p	-33.5%
Net Asset Value (NAV) per share	**60p**	67p	-7p	-11%
EPRA NAV per share	**59p**	67p	-8p	-12%
Group net debt	**£411.1m**	£404.0m	+£7.1m	+1.8%
Net debt to property value	**48%**	46%	-	

Use of Alternative Performance Measures (APMs)

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

Notes

All metrics are for the 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 5 to the financial statements.

[2] Like-for-like excludes the impact of property purchases and sales on year-to-year comparatives.

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

[4] As at 30 December 2018, assuming exercise of all extension options.

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About Capital & Regional plc

Capital & Regional is a UK focused retail property REIT specialising in shopping centres that dominate their catchment, serving the non-discretionary and value orientated needs of 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 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.](http://www.capreg.com)

Forward-looking statements

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

Chairman's statement

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, whilst 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 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 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 & Culture

Ensuring our people are supported, motivated and engaged is key to our success. In 2018, we achieved a 93% 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 10 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

Chief Executive's Statement

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 focussing 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 whom 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% 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 environment like retailing 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 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

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 (£m)	**£2.9m**
Comparison to ERV[1] (%)	**+0.9%**
Renewals settled	
Renewals settled	**45**
Revised rent (£m)	**£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 (£m)	**£2.7m**
Uplift to previous rent (%)	**+0.7%**

[1] For lettings and renewals (excluding development deals and leases impacted by CVA's) 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. 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.

Operating review

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.

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 omnichannel 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 December 2018	30 December 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 facade 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 whilst improving the quality of product supported through the engagement of best in class consultants.

Operating review

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.

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 5 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 5 to the condensed financial statements.
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 condensed financial statements.

Financial review

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 5 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.

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 December 2018**	Year to 30 December 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] Notional interest charge with offsetting opposite and materially equal credit within other property operating expenses.

Financial review

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 at £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

Property at independent valuation	**30 December 2018**		30 December 2017	
	£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%

Financial review

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 within this announcement. The Group was compliant with them at 30 December 2018 and throughout the year.

	Debt[1]	Cash[2]	**Net debt**	Loan to value[3]	Net debt to value[3]	Average interest rate	Fixed	Duration to loan expiry	Duration with extensions
30 December 2018	**£m**	£m	**£m**	%	%	%	%	Years	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.

Going Concern

Under the UK Corporate Governance Code, the Board needs to report as to 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 the following pages.

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.

South African secondary listing

The Company maintains a primary listing on the London Stock Exchange 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 register representing 8.87% of the total shares in issue.

Financial review

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 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. If a scrip dividend alternative is offered, subject to the requisite regulatory approvals, the deadline for submission of valid election forms will be Friday, 5 April 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 Property 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
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

Risk	Impact	Mitigation
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
Funding and treasury risks		
Liquidity, funding and covenant compliance risk		
• 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

Risk	Impact	Mitigation
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
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 exposures

Unaudited preliminary consolidated income statement
For the year to 30 December 2018

	Note	2018 £m	2017 £m
Revenue	3	**91.0**	89.2
Cost of sales		**(34.9)**	(33.5)
Gross profit		**56.1**	55.7
Administrative costs		**(9.2)**	(10.2)
Share of loss in associates	7a	**(4.6)**	(2.0)
Loss on revaluation of investment properties		**(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		**3.1**	1.2
Finance costs		**(18.9)**	(18.8)
(Loss)/profit before tax		**(25.5)**	22.4
Tax charge	4a	**(0.1)**	-
(Loss)/profit for the year	2a	**(25.6)**	22.4

All results derive from continuing operations.

	Note	2018	2017
Basic earnings per share	5a	**(3.5)p**	3.2p
Diluted earnings per share	5a	**(3.5)p**	3.1p
EPRA basic earnings per share	5a	**4.0p**	3.9p
EPRA diluted earnings per share	5a	**4.0p**	3.9p

Unaudited preliminary 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 these financial statements. EPRA Earnings and EPRA EPS are shown in Note 5 to these financial statements. EPRA net assets and EPRA triple net assets are shown in Note 11 to these financial statements.

Unaudited preliminary consolidated balance sheet

At 30 December 2018

	Note	2018 £m	2017 £m
Non-current assets			
Investment properties	6	**898.2**	930.6
Plant and equipment		**2.0**	1.8
Fixed asset investments		**2.8**	2.1
Receivables		**16.5**	14.2
Investment in associates	7b	**-**	7.4
Total non-current assets		**919.5**	956.1
Current assets			
Receivables		**15.3**	21.6
Cash and cash equivalents	8	**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		**(37.1)**	(39.0)
Total current liabilities		**(37.1)**	(39.0)
Net current assets		**10.2**	12.8
Non-current liabilities			
Bank loans	9	**(432.9)**	(422.2)
Other payables		**(2.2)**	(3.6)
Obligations under finance leases		**(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		**7.3**	7.2
Share premium		**166.5**	163.3
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Own shares reserve		**-**	(0.1)
Retained earnings		**194.5**	246.3
Equity shareholders' funds		**433.0**	481.4
Basic net assets per share	11	**£0.60**	£0.67
EPRA triple net assets per share	11	**£0.59**	£0.66
EPRA net assets per share	11	**£0.59**	£0.67

Unaudited preliminary 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 loss for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	**-**	**22.4**	**22.4**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	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	-	-	-	-	-	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.

Unaudited preliminary consolidated cash flow statement
For the year to 30 December 2018

	Note	2018 £m	2017 £m
Operating activities			
Net cash from operations	10	**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	7b	**1.2**	4.5
Acquisition of The Exchange, Ilford		**-**	(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		**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	8	**32.0**	30.2

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 financial information set out in the announcement does not constitute the Company's statutory financial statements for the years ended 30 December 2018 or 2017. The financial information for the year ended 30 December 2017 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 30 December 2018 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Basis of accounting
These unaudited preliminary consolidated annual financial statements of C&R are prepared in accordance with International Financial Reporting Standards (IFRSs as adopted by the European Union.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in April 2019.

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.

Going concern
The financial statements have been prepared on the going concern basis. Details on going concern are provided within the Financial Review.

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 CRPM, C&R 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 5, where EPRA earnings figures are also provided.

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 7.
[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

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 7.
[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.

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 Tax

4a 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.

4b 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	4a	**0.1**	-

4c 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 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 million (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.

4d 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.

5 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:

5a Earnings per share calculation

		Year to 30 December 2018			Year to 30 December 2017		
	Note	**Loss**	**EPRA**	**Adjusted Profit**	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)	5b	**-**	**52.5**	**52.5**	-	6.3	6.3
Loss on disposal of Ipswich (net of tax)	5b	**-**	**3.8**	**3.8**	-	-	-
Changes in fair value of financial instruments	5b	**-**	**(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)	**Year to 30 December 2018**	Year to 30 December 2017
Ordinary shares in issue	**721.9**	709.2
Own shares held	**(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.

5b Reconciliation of earnings figures included in earnings per share calculations

		Year to 30 December 2018			Year to 30 December 2017		
		Revaluation movements	**Loss on disposal of investment properties**	**Movement in fair value of financial instruments**	Revaluation movements	Loss on disposal of investment properties	Movement in fair value of financial instruments
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Wholly-owned		**(47.5)**	**-**	**2.6**	(3.8)	-	0.7
Associates	7c	**(5.0)**	**-**	**-**	(2.5)	-	0.4
Joint ventures		**-**	**(3.8)**	**-**	-	-	-
Tax effect		**-**	**-**	**-**	-	-	-
Total	5a	**(52.5)**	**(3.8)**	**2.6**	(6.3)	-	1.1

5c Headline earnings per share

Headline earnings per share has been calculated and presented as required by the JSE Listings 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) Basic/Diluted	**4.2**	**4.2**	4.0	4.0

6 Investment properties

6a 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).

6b Property assets summary

	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 7b.

6c 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.

7 Investment in associates

7a Share of results

	Note	**Year to 30 December 2018 £m**	Year to 30 December 2017 £m
Share of results of associates	7c	**(4.6)**	(2.0)
		(4.6)	(2.0)

7b 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	7c	**(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	7c	**-**	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 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.

7c 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.

8 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).

9 Bank loans

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	**30 December 2018 £m**	30 December 2017 £m
Secured		
Fixed and swapped bank loans	**438.4**	428.4
Variable rate bank loans	**-**	-
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

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.

10 Reconciliation of net cash from operations

	Note	**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	4a	**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	7a	**4.6**	2.0
Depreciation of other fixed assets		**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

11 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:

	30 December 2018			30 December 2017
	Net assets £m	**Number of shares (m)**	**Net assets per share (£)**	Net assets per share (£)
Basic net assets	**433.0**	**726.4**	**0.60**	0.67
Own shares held		**(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	**(1.3)**			
Exclude deferred tax on unrealised gains and capital allowances	**-**			
EPRA net assets	**431.7**	**730.5**	**0.59**	0.67

12 Return on equity

	30 December 2018	30 December 2017
	£m	£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%

13 Dividends

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

	Year to 30 December 2018	Year to 30 December 2017
	£m	£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.

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.

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.

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

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

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

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

Like-for-like figures, unless otherwise stated, exclude the impact of property purchases and sales on year to year comparatives.

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

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

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

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

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

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

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

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

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

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

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

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

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

REIT – Real Estate Investment Trust.

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

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

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

Temporary lettings are those lettings for one year or less.

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

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

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

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

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:	
2018	6.7
2019	5.9
2020-2022	15.9
ERV (£m) of leases expiring in:	
2018	8.0
2019	6.3
2020-2022	16.5
Passing rent (£m) subject to review in:	
2018	3.2
2019	4.5
2020-2022	8.7
ERV (£m) of passing rent subject to review in:	
2018	3.1
2019	4.6
2020-2022	10.3
Rental Data	
Contracted rent at year end (£m)	63.4
Passing rent at year end (£m)	60.7
ERV at year end (£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)	5a	**28.7**	27.8
EPRA earnings per share (diluted)	5a	**4.0p**	3.9p
EPRA net assets (£m)	11	**431.7**	482.6
EPRA net assets per share	11	**59p**	67p
EPRA triple net assets (£m)	11	**433.5**	479.8
EPRA triple net assets per share	11	**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 & 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 & 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%