

18 August 2016

**Capital & Regional plc**  
**Half Year Results to 30 June 2016**

**CAPITAL & REGIONAL DELIVERS STRONG OPERATING PROFIT GROWTH**

Capital & Regional plc (LSE: CAL), the UK focused specialist REIT with a portfolio of dominant in-town community shopping centres, today announces its half year results to 30 June 2016.

**HIGHLIGHTS**

**Financial**

- 16% increase in Operating Profit<sup>1</sup> to £13.7 million (June 2015: £11.8 million)
- Profit for the period of £7.2 million (June 2015: £57.0 million) as a result of a £42.7 million revaluation gain in H1 2015 compared to a £10.3 million fall in this period primarily due to the 1% increase in SDLT
- Interim dividend increased by 8% to 1.62p per share (June 2015: 1.50p per share)
- EPRA NAV per share unchanged at 71p (December 2015: 71p)
- See-through net debt to property value<sup>2</sup> of 45% (June 2015: 43%, December 2015: 41%) following the Hemel Hempstead acquisitions and cash investment into capex

**Operational**

- Transformation of The Buttermarket Centre, Ipswich nearing completion delivering £7.2 million revaluation gain, net of capex, in the period. 87% now let and strong interest in remaining units
- Acquisition of The Marlowes Centre and two adjacent properties in Hemel Hempstead giving substantial control of town centre retail and providing significant opportunity to reposition the combined scheme in this growing London satellite town
- Advanced plans for re-letting of BHS units with strong new tenants improving the schemes and delivering uplift to previous passing rent
- Continued momentum from capex investment programme with completion of extensive new entrance works and opening of new gym at Blackburn and £4.7 million Maidstone refurbishment completed
- Like for like net rental income on wholly-owned portfolio increased by 3.9% to £23.8 million (June 2015: £22.9 million)
- 27 new lettings and 11 lease renewals totalling £3.0 million at combined premium to ERV of 0.7%
  - Positive leasing momentum since the referendum across the whole portfolio, with 29 permanent new leases or renewals exchanged or completed since 24 June 2016
- Like-for-like occupancy on wholly-owned portfolio increased to 96.5% (30 June 2015: 96.4%)
- Footfall outperforming the industry benchmark by 1.4% in first six months of the year. Footfall for July up 1.6% year on year
- Enhanced focus on asset recycling opportunities, including active consideration of unsolicited offer for sale of The Mall, Camberley around current valuation

	<b>6 months to June 2016</b>	Year to Dec 2015	6 months to June 2015
Operating Profit <sup>1</sup>	<b>£13.7m</b>	£24.0m	£11.8m
Profit for the period	<b>£7.2m</b>	£100.0m	£57.0m
Total Dividend per Share	<b>1.62p</b>	3.12p	1.50p
Net Asset Value (NAV) per share	<b>71p</b>	72p	67p
EPRA NAV per share	<b>71p</b>	71p	67p
Group net debt	<b>£403.1m</b>	£338.1m	£339.1m
See-through net debt to property value <sup>2</sup>	<b>45%</b>	41%	43%

<sup>1</sup> As defined in Glossary.

<sup>2</sup> See-through net debt divided by property valuation.

**Hugh Scott-Barrett, Chief Executive, commented:**

*“This strong set of operational results is reflective of the focus we continue to place on the delivery of our asset management initiatives and it is extremely pleasing to see these starting to bear fruit in the first half of the year. Our letting activity remains robust and, while it is too early to point to any definitive trends, so far we have seen no sign of this abating post the EU referendum. Retail and leisure operators continue to be attracted by the good quality space that we offer at affordable rents in vibrant, high footfall town centre locations which have strong underlying fundamentals. This reinforces our ability to grow income and the dividend, which we have increased by 8% today in anticipation of a positive second half of the year.*

*“Furthermore, encouragingly, as markets have stabilised in recent weeks we are seeing a number of opportunities to recycle capital on terms which will enable us to crystallise attractive returns and specifically we are actively considering the sale of The Mall, Camberley following an unsolicited offer received around current valuation. Recycling will enable us to take advantage of accretive investment opportunities whilst having due regard to prudent balance sheet management.”*

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**Notes to editors:****About Capital & Regional plc**

Capital & Regional is a UK focused specialist property REIT with a strong track record of delivering value enhancing retail and leisure asset management opportunities across a c. £1 billion portfolio of in-town dominant community shopping centres. Capital & Regional is listed on the main market of the London Stock Exchange and has a secondary listing on the Johannesburg Stock Exchange.

Capital & Regional owns seven shopping centres in Blackburn, Camberley, Hemel Hempstead, Luton, Maidstone, Walthamstow and Wood Green. It also has a 20% joint venture interest in the Kingfisher Centre in Redditch and a 50% joint venture in the Buttermarket Centre, Ipswich. Capital & Regional manages these assets, which comprise over 950 retail units and attract over 1.7 million shopping visits each week, through its in-house expert property and asset management platform.

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

## Operating review

### UK Shopping Centres

The core strength and expertise of Capital & Regional lies in its ability to create and deliver asset management improvements across its £1.1 billion portfolio of nine UK shopping centres with a strong London and South East bias. The schemes are characterised by being dominant locally, having strong footfall and offering occupiers attractive and affordable space.

The Group's philosophy is to continually reposition its centres through the introduction of a complementary mix of leisure uses to enhance the customer experience, drive footfall and increase dwell time.

#### ***Wholly-owned portfolio***

There has been strong letting progress during the first half of the year with a number of new brands introduced to our centres including Patisserie Valerie in Camberley and Pret in Wood Green, which have continued the theme of improving the leisure offer. In Luton, Five Guys has opened on the outside of the scheme whilst the new Food Zone is also taking shape. Gyms have also opened for trade in Maidstone, Blackburn and Luton. Significant retail lettings include the 27,700 sq ft TJ Hughes store in Maidstone, lettings to Schuh and Smiggle and an extension to JD Sports in Luton.

The rate of capital expenditure investment in the portfolio has accelerated during the first half of the year as the Group's multi-year £65 million investment programme, which is targeting income returns of at least 10%, has gained further momentum with £13.5 million spent in the period. We expect spend to approach a similar level in the second half of the year meaning the total spend for 2016 is likely to exceed the £20 million previously indicated. We are targeting similar levels of investment for 2017. This will include expenditure related to re-letting the BHS units, as discussed further below, which has been prioritised ahead of other initiatives given the direct income returns and the opportunity to introduce new anchor tenants which will help in repositioning the respective centres.

Major initiatives in the first half of the year include the opening of the new entrance facing the bus centre redevelopment at Blackburn and the refurbishment of The Mall Maidstone. While the benefits of the capex spend to date have already begun to flow through, we expect this to gain further momentum, both operationally and, in turn, financially, in 2017, when the projects in progress, such as the creation of the 78 room Travelodge and extended gym in Wood Green and the new TJ Hughes store in Maidstone, which is due to handover later this month, come on stream fully.

The Group's asset management expertise is highlighted by the plans to deal with the space we will be taking back at three of our centres following the BHS insolvency. While the initial closure of the three units in the wholly-owned portfolio will create a short term loss of income for the rest of 2016 of approximately £0.5 million, they have also presented a positive asset management opportunity. We expect the re-letting plans we have developed to help in repositioning the schemes and to be accretive to income and values.

In Blackburn, a part of the BHS unit was already sub-let to Sports Direct and a tenant has been identified for the part occupied by BHS. In Walthamstow, we have advanced plans to split the store into three units and heads of terms have been agreed for long term leases with a leading food retailer and a gym for 18,250 and 14,250 sq ft respectively. There is strong interest in the remaining 7,500 sq ft retail unit and in total we expect to significantly increase the rental income from that paid by BHS. At Maidstone, we are in active discussions to let the entire BHS store to a major fashion retailer but have alternative options for subdividing the area for a split fashion and leisure use.

The Group is also advancing its plans for the extension in Walthamstow and has signed a development agreement with London Borough of Waltham Forest and completed public consultations which were well received. Discussions with our preferred development partner, Barratt London, are continuing with submission of a planning application targeted for the end of the year and pre-letting momentum has been maintained with offers received from two major national operators.

The Group also received notification in July 2016 that it had been awarded a RoSPA Gold Award for a 10<sup>th</sup> consecutive year, demonstrating once again the importance we attach to continually advancing health and safety standards across our portfolio.

#### **New lettings, renewals and rent reviews**

<b>Wholly-owned portfolio</b>	<b>6 months to June 2016</b>
<b>Number of new lettings</b>	<b>27</b>
Rent from new lettings (£m)	<b>2.0</b>
Comparison to ERV <sup>1</sup> (%)	<b>4.6</b>
<b>Renewals settled</b>	<b>11</b>
Revised rent (£m)	<b>1.0</b>
Comparison to ERV (%)	<b>(5.3)</b>
<b>Rent reviews settled</b>	<b>13</b>
Revised passing rent (£m)	<b>2.0</b>
Uplift to previous rent (%)	<b>-</b>

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

The outperformance of new lettings versus ERV demonstrates the affordability and attractiveness of our schemes to retailers and leisure operators. The evidence provided by new lettings will become supportive of rental tones in the future. The combined comparison of lettings and renewals to ERV is 0.7%.

Whilst the lease renewals were settled at a little below ERV this was a consequence of tenants simply paying a lower headline rent rather than receiving incentives on renewal. The net effective rent achieved, assuming that all renewals in the first half were for a five year term was, at 93.2% of ERV, 6.5% higher than assumed by the Group's valuers.

Across the whole portfolio there have been strong levels of leasing activity since the EU referendum vote. In total 29 permanent deals have exchanged or completed for over 50,000 sq ft. A further 19 new leases or renewals representing almost 70,000 sq ft, including the BHS related activity at Walthamstow described above, have also been agreed or progressed to being in solicitors' hands since 24 June. Importantly, these are being agreed at pre referendum levels and we have seen little or no reference to Brexit from a pricing perspective during our discussions with occupiers to date.

## Rental income and occupancy

<b>Wholly-owned portfolio (like for like excluding The Marlowes, Hemel)</b>	<b>30 June 2016</b>	30 December 2015	30 June 2015
Contracted rent (£m)	<b>£58.8m</b>	£58.1m	£57.0m
Passing rent (£m)	<b>£54.5m</b>	£55.0m	£54.8m
Occupancy	<b>96.5%</b>	97.2%	96.4%

There has been a year-on-year increase in contracted rent of £1.8 million and at 30 June 2016 there was £2.5 million of contracted rent where the tenant is in a rent free period; of this £1.5 million will convert to passing rent this year. There is a further £1.8 million of committed transactions where works are being undertaken prior to handover to tenants.

The year-on-year occupancy has increased by 0.1% and is at a robust level despite the impact of insolvencies.

## Administrations

<b>Wholly-owned portfolio (like for like)</b>	<b>6 months to June 2016</b>	12 months to December 2015	6 months to June 2015
Administrations (units)	<b>13</b>	9	7
Passing rent of administrations (£m)	<b>£1.9m</b>	£0.5m	£0.4m

The level of administrations reflects the well-publicised demise of BHS, as discussed above, and the Blue Inc chain. Excluding these there were two units that were affected by administration with rent of £0.1 million, both of which remain open and trading.

## Footfall

In the wholly-owned portfolio, year-on-year footfall in the first half outperformed the national index by 1.4%. The portfolio's footfall decreased by 0.3% compared to a decline in the benchmark index of 1.7% demonstrating our ability to sustain the attractiveness of our schemes to our customers.

Footfall in July was up 1.6% year on year. This, and a good first week of August, has resulted in year to date footfall on a like for like basis being 0.2% up on the prior year.

## Property portfolio performance

<i>Property at independent valuation</i>	30 June 2016		30 December 2015	
	£m	NIY %	£m	NIY %
Blackburn	130.2	6.29	127.8	6.37
Camberley	88.5	6.15	87.8	6.14
Luton	213.0	6.25	215.1	6.00
Maidstone	79.2	6.92	81.4	6.85
Walthamstow	96.8	5.54	94.3	5.49
Wood Green	219.9	5.24	216.3	5.25
<b>Wholly-owned portfolio (like for like)</b>	<b>827.6</b>	<b>5.94</b>	<b>822.7</b>	<b>5.89</b>
The Marlowes, Hemel Hempstead	54.5	6.99	-	-
<b>Wholly-owned portfolio</b>	<b>882.1</b>	<b>6.02</b>	<b>822.7</b>	<b>5.90</b>

Allowing for capital expenditure of £13.5 million, the net revaluation deficit on a like-for-like basis was £8.6 million, due primarily to the 1% increase in Stamp Duty Land Tax (SDLT), without which the net valuation would have been broadly in line with December 2015, with increased valued income offsetting the impact of outward yield movement of 5 basis points.

In recognition of the uncertainty resulting from the EU referendum outcome, the valuers have included the following industry agreed generic wording in their valuation reports. *‘Since the referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place. The probability of our opinion of value exactly coinciding with the price achieved, were there to be a sale, has reduced. We would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to effect a disposal.’*

### *Acquisition of The Marlowes, Hemel Hempstead*

On 5 February 2016, the Group acquired the freehold of The Marlowes Shopping Centre in Hemel Hempstead for £35.5 million. This was followed by the acquisitions of the adjacent Edmonds Parade and Fareham House properties, bringing our total investment into the town to £53.8 million at a net initial yield of 7.0%. The Company’s combined retail footprint now comprises 340,000 sq ft across 87 units with 1,200 car park spaces giving effective control of the town centre. This acquisition provides an attractive medium term opportunity to transform the retail offer in the town, which has attractive fundamentals, utilising the Group’s in-house asset management capabilities.

### **Co-invested schemes**

#### *The Kingfisher Centre, Redditch*

The Group owns a 20% interest in the Kingfisher Centre in Redditch. This scheme continues to perform well with contracted rent stable year on year. Significant lettings during the period include an extension to Muffin Break, a 1,300 sq ft letting to Yours and a lease renewal with Bank of Scotland. At 30 June 2016, occupancy had fallen 3.0% year-on-year to 93.4% although with lettings exchanged and in solicitors’ hands this is expected to increase to 95.7%.

The valuation of the Kingfisher Centre, Redditch as at 30 June 2016 was £163.5 million at a net initial yield of 6.24%. This represents a decrease of £0.9 million from 31 December 2015 due to the impact of the SDLT increase. Capital expenditure on this asset in the period was £0.1 million.

### *The Buttermarket, Ipswich*

The transformation of the Buttermarket Centre, Ipswich, in which the Group holds a 50% interest, from a failing shopping centre to a vibrant leisure and retail destination is nearing completion, with the redevelopment due for practical completion imminently, both on time and on budget. The letting of the scheme has progressed well with four further lettings in the first half of the year for a combined total of 16,500 sq ft to Cosy Club, Byron, Wagamama and Coast to Coast. The scheme is now 87% let and there is strong interest in the remaining space. The weighted average lease length to expiry of the scheme is now 19 years providing the security of income of an institutional asset.

The valuation as at 30 June 2016 was £44.3 million, an increase on the December 2015 valuation of £16.3 million reflecting the progress detailed above. Capital expenditure was £9.1 million during the period, bringing total capex to £17.0 million since acquisition for £9.2 million in March 2015.

### **Snozone**

Snozone has again enjoyed another strong trading period with revenue of £5.4 million and Operating Profit of £1.0 million. Snozone also successfully launched its Disability Snow School during the period becoming the only UK operator to have its own Snowschool dedicated to providing 'Adaptive' lessons.



# FINANCIAL REVIEW

## Key performance indicators

The key performance indicators we use to measure our performance against our strategy and objectives are:

	Six months to June 2016	Year to Dec 2015	Six months to June 2015
<b>Investment returns</b>			
Net assets per share	71p	72p	67p
EPRA net assets per share	71p	71p	67p
Return on equity	1.4%	23.5%	13.2%
<b>Profitability</b>			
Operating Profit <sup>1</sup>	£13.7m	£24.0m	£11.8m
Profit for the period	£7.2m	£100.0m	£57.0m
Basic earnings per share – continuing and discontinued operations	1.0p	14.3p	8.1p
<b>Financing</b>			
Group net debt	£403.1m	£338.1m	£339.1m
See-through net debt	£425.3m	£355.7m	£339.1m
See-through net debt to property value <sup>2</sup>	45%	41%	43%
<b>Property portfolio at valuation (100%)</b>	£1,089.9m	£1,015.0m	£958.2m
<b>Property portfolio at valuation (C&amp;R share)</b>	£937.0m	£869.6m	£827.7m

<sup>1</sup> As defined in Glossary.

<sup>2</sup> See-through net debt divided by property valuation.

To provide a greater understanding of the composition of the business, the Group presents its balance sheet in two separate ways, with the “statutory” balance sheet following the accounting and statutory rules and the “see-through” balance sheet showing the Group’s proportionate economic exposure to the different property portfolios as set out below.

	See-through at 30 June 2016			Statutory 30 June 2016 £m	See-through at 30 December 2015			Statutory 30 December 2015 £m
	Property £m	Debt £m	Other £m		Property £m	Debt £m	Other £m	
The Mall portfolio	875.3	(379.8)	(42.8)	452.7	870.0	(380.0)	(37.8)	452.2
The Marlowes, Hemel	54.5	(26.9)	0.5	28.1	-	-	-	-
Kingfisher Redditch	31.9	(16.8)	0.5	15.6	32.1	(16.8)	0.6	15.9
Buttermarket Ipswich	21.6	(7.5)	(0.5)	13.6	13.6	(2.2)	0.3	11.7
Other net assets	-	(16.8)	6.2	(10.6)	-	-	23.4	23.4
<b>Net assets</b>	<b>983.3</b>	<b>(447.8)</b>	<b>(36.1)</b>	<b>499.4</b>	<b>915.7</b>	<b>(399.0)</b>	<b>(13.5)</b>	<b>503.2</b>

## Profitability

The breakdown of Operating Profit, as defined in the Glossary, is as follows (and as set out further in note 3a):

### Operating Profit

#### Group Operating Profit

	Six months to 30 June 2016	Year to 30 December 2015	Six months to 30 June 2015
	£m	£m	£m
Wholly-owned Assets	13.2	24.3	11.9
Other UK Shopping Centres	0.4	1.2	0.5
Snozone	1.0	1.4	1.0
Group/Central	(0.9)	(2.9)	(1.6)
<b>Operating Profit</b>	<b>13.7</b>	<b>24.0</b>	<b>11.8</b>

The following table provides a further breakdown of the Operating Profit for wholly-owned assets. Net rental income has increased by £2.5 million or 10.9% compared to the equivalent period in 2015 due to the acquisition of The Marlowes, Hemel Hempstead and like-for-like growth in The Mall of £0.9 million or 3.9%.

#### Wholly-owned assets Operating Profit

	Six months to 30 June 2016			Six months to 30 June 2015
	The Mall £m	Marlowes, Hemel £m	Total Wholly-owned £m	
Rental income	24.0	1.8	25.8	23.7
Car park income	3.5	0.4	3.9	3.4
Ancillary income	1.1	-	1.1	1.2
Gross rental income	28.6	2.2	30.8	28.3
Service charge and void costs	(1.6)	(0.4)	(2.0)	(2.0)
Bad debt	(0.2)	-	(0.2)	(0.3)
Other property expenses				
Car park costs	(1.5)	(0.1)		(1.6)
Head leases	(1.5)	-		(1.5)
IFRS head lease adjustment	1.8	-		1.8
Letting and rent review fees	(0.6)	-		(0.7)
Administration expenses	(0.3)	-		(0.4)
Repairs and maintenance	(0.2)	-		-
Other costs	(0.7)	(0.1)		(0.7)
	(3.0)	(0.2)	(3.2)	(3.1)
Net rental income	23.8	1.6	25.4	22.9
Interest Expense				
Interest on loans	(6.6)	(0.4)		(6.5)
Amortisation of refinancing costs	(0.7)	(0.1)		(0.6)
Notional interest charge on head leases <sup>1</sup>	(1.8)	-		(1.8)
	(9.1)	(0.5)	(9.6)	(8.9)
Operating Profit before internal recharges	14.7	1.1	15.8	14.0
Internal Management fees			(2.6)	(2.1)
<b>Operating Profit</b>			<b>13.2</b>	<b>11.9</b>

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

## Profit for the period

	Six months to 30 June 2016	Year to 30 December 2015	Six months to 30 June 2015
	£m	£m	£m
Operating Profit	13.7	24.0	11.8
Property revaluation	(7.0)	74.8	43.4
Financial instruments revaluation	(1.8)	(0.8)	-
Profit on disposal of Germany	-	2.4	2.4
Other items	2.3	(0.4)	(0.4)
Tax	-	-	(0.2)
<b>Profit for the period</b>	<b>7.2</b>	<b>100.0</b>	<b>57.0</b>

The net revaluation deficit in the period of £7.0 million was due primarily to the 1% increase in Stamp Duty Land Tax (SDLT) effective from March 2016, without which the net valuation would have been broadly in line with December 2015. Other items include a gain of £3.6 million relating to historical German investments following the sale of properties by the liquidator of the underlying portfolio. A further smaller amount is likely to be received on sale of the final two properties in the portfolio.

## Financing

### See-through debt

Group share	Debt <sup>1</sup>	Cash <sup>2</sup>	Net debt	Loan to Value <sup>3</sup>	Net debt to value <sup>3</sup>	Blended interest rate	Fixed	Weighted average duration to loan expiry
30 June 2016	£m	£m	£m	%	%	%	%	Years
The Mall	379.8	(16.2)	363.6	46	44	3.47	61	2.9
The Marlowes, Hemel	26.9	(2.5)	24.4	49	45	3.32	100	4.5
Group RCF	16.8	(1.7)	15.1	n/a	n/a	3.52	-	2.9
<b>On balance sheet debt</b>	<b>423.5</b>	<b>(20.4)</b>	<b>403.1</b>					
Kingfisher Redditch	16.8	(0.9)	15.9	51	48	3.67	99	2.8
Buttermarket Ipswich	7.5	(1.2)	6.3	34	29	3.51	-	0.5 <sup>4</sup>
<b>Off balance sheet debt</b>	<b>24.3</b>	<b>(2.1)</b>	<b>22.2</b>					
<b>See-through debt</b>	<b>447.8</b>	<b>(22.5)</b>	<b>425.3</b>	<b>48</b>	<b>45</b>			

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

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

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

<sup>4</sup> The development facility expires six months after practical completion but with an option to convert to an investment facility until 11 December 2020.

### The Mall

The Mall debt facility comprises a fixed rate tranche of £233.3 million with interest at 1.86% plus margin and a floating rate tranche, based on three month LIBOR, of £146.5 million. The overall cost of this facility based on rates at the end of 30 June 2016 was 3.47%. The debt matures in May 2019.

We are in advanced discussions with lenders to refinance the facility with the objectives of increasing maturity to at least seven years, reducing the cost, increasing the quantum of debt available at the asset level to efficiently fund future capex and obtaining greater flexibility (e.g. to substitute assets). We have made good progress and, subject to co-ordinating with asset recycling and satisfactorily achieving our objectives, expect to conclude the process in the second half of 2016.

### *The Marlowes, Hemel Hempstead*

The Marlowes, Hemel Hempstead debt comprises a non-recourse loan facility of £26.9 million for five years until January 2021 with two one year extensions available at the end of each of the first two years. The debt has been 100% hedged for the seven year period using interest rate swaps which result in the overall cost of the facility being 3.32%.

### *Group Revolving Credit Facility (RCF)*

At 30 June 2016, the Group had £16.75 million drawn from a total available facility of £30.0 million. Interest on the facility is charged at a margin of 3.0% per annum above LIBOR. A non-utilisation fee of 1.5% is payable. The facility is available until 30 May 2019.

### *Covenants*

The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 June 2016 with significant headroom on all covenant levels.

On The Mall debt facility, projected net rental income would need to fall by approximately 51% from current levels to break the Projected Interest cover covenant. Headroom on the Loan to Value covenant represents 38% of the 30 June 2016 valuation, equivalent to approximately £315 million.

### **Going concern**

As stated in note 2 to the condensed financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

### **Dividend**

In keeping with its policy of distributing at least 90% of Operating Profit from the Company's Wholly-owned assets, the Board is proposing an interim dividend of 1.62 pence per share, all of which will be paid as a Property Income Distribution (PID). This represents an increase of 8% from the 2015 Interim dividend. A Scrip dividend alternative may be offered.

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

- |   |                   |
|---|-------------------|
| • Confirmation of ZAR equivalent dividend                     | 26 September 2016 |
| • Last day to trade on Johannesburg Stock Exchange (JSE)      | 27 September 2016 |
| • Shares trade ex-dividend on the JSE                         | 28 September 2016 |
| • Shares trade ex-dividend on the London Stock Exchange (LSE) | 29 September 2016 |
| • Record date for LSE and JSE                                 | 30 September 2016 |
| • Dividend payment date                                       | 27 October 2016   |

Note: if a scrip dividend alternative were to be offered, the deadline for submission of valid election forms will be 30 September 2016 for shareholders on the South African register and 12 October 2016 for shareholders on the UK register.

South African shareholders are advised that this dividend will be regarded as a foreign dividend. Further details relating to Withholding Tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on 26 September 2016. Share certificates on the South African register may not be dematerialised or rematerialised between 28 September 2016 and 30 September 2016, both dates inclusive. Transfers between the UK and South African registers may not take place between 26 September and 30 September 2016, both dates inclusive.

### **Characteristics of our assets**

As discussed in the *Property portfolio performance* and *Principal risks and uncertainties* sections, property investment markets are currently subject to unusual levels of uncertainty predominantly due to the fall-out from the result of the EU referendum. While it remains too early to predict what impact that this may have on future valuations we are confident that the resilient characteristics of our assets, as outlined below, will help mitigate any negative consequences and help them outperform the market as a whole.

Our portfolio characteristics:

- Easily accessible town centre locations;
- High footfall;
- Assets dominates the retail offer within strong catchments;
- London and South East bias;
- Diversified tenant mix underpinned by national operators with strong covenants;
- Affordable and sustainable rents – c 6% average rent to sales ratio<sup>1</sup>; and
- Flexibility over future capex spend with commitments at 30 June 2016 less than 2% of portfolio value but with significant opportunities to drive income growth at attractive 10%+ returns.

<sup>1</sup> Topped up rent over gross retailers' sales. Retailers' sales estimated using independent analysis, periodically updated on a rolling basis.

### **Outlook**

We are likely to have to contend with political and economic uncertainty for some time to come. This may have implications for both investment markets, as detailed above, and our operating environment.

Encouragingly, however, as markets have stabilised in recent weeks we are seeing increased opportunities to recycle capital on terms which will enable us to crystallise attractive returns. Recycling will enable us to take advantage of accretive investment opportunities, whilst having due regard to prudent balance sheet management.

### **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.

## Principal risks and uncertainties

There are a number of risks and uncertainties which could have a significant impact on future performance and could cause actual results to differ materially from expected or historical results. The Group carries out a regular review of the major risks it faces and monitors the controls that have been put in place to mitigate them.

A detailed explanation of the principal risks and uncertainties was included on pages 32 to 36 of the Group's 2015 Annual Report. A further review was carried out for the 30 June 2016 half year. The principal risks to the Group that were identified from this process are summarised below.

One risk has been added to the list of principal Group risks being that of property valuation reflecting the risk that a lack of relevant comparable transactional evidence in the lead up to and since the EU referendum could increase the level of subjectivity in property valuations and widen the range of possible outcomes. Otherwise it was concluded that the nature of the Group's risks had not significantly changed in the last six months, although the current level of economic and political uncertainty in the UK, most prominently due to the result of the EU referendum, has seemingly increased the general risk profile. It was however considered that at this point in time it remains too early to draw any long term conclusions.

### Property risks:

- *Property investment market risks* - Weak economic conditions and poor sentiment in commercial real estate markets may lead to low investor demand and a market pricing correction. Small changes in property market yields can have a significant effect on property valuation and the impact of leverage could magnify the effect on the Group's net assets.
- *Impact of the economic environment (tenant risks)* - Tenant insolvency or distress and a prolonged downturn in tenant demand could put pressure on rent levels. Tenant failures and reduced tenant demand could adversely affect rental income revenues, lease incentive costs, void costs, available cash and the value of properties owned by the Group.
- *Valuation risk* - The risk that a lack of relevant transactional evidence makes property valuations increasingly subjective and open to a wider range of possible outcomes.
- *Threat from the internet* - The trend towards online shopping may adversely impact footfall in shopping centres and potentially reduce tenant demand for space and the levels of rents which can be achieved.
- *Concentration and scale risks* - By having a less diversified portfolio the business is more exposed to specific tenants or types of tenant. Failures of such tenants could therefore have a significant impact on rental income revenues impacting Operating Profit and property valuations.
- *Competition risk* – The threat to the Group's property assets of competing in town and out of town retail and leisure schemes.
- *Development risk* – There is a risk that where capital expenditure and development projects are undertaken, that delays and other issues may lead to increased cost and reputational damage. There is also the risk that planned realisation of value is not achieved, for example if the property cannot subsequently be sold for the anticipated amount or if tenants are not contracted on sufficiently attractive terms.

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

- *Liquidity and funding* - Inability to fund the business or to refinance existing debt on economic terms may result in the inability to meet financial obligations when due and put a limitation on financial and operational flexibility. Cost of financing could be prohibitive in the future.
- *Covenant compliance risks* - Breach of any loan covenants could cause default on debt and possible accelerated maturity. Unremedied breaches can trigger demand for immediate repayment of loans.
- *Interest rate exposure risks* - Exposure to rising or falling interest rates. If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken. Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences.

### **Other risks:**

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

The risks noted above do not comprise all those potentially faced by the Group and are not intended to be presented in any order of priority. Additional risks and uncertainties currently unknown to the Group, or which the Group currently deems immaterial, may also have an adverse effect on the financial condition or business of the Group in the future. These issues are kept under constant review to allow the Group to react in an appropriate and timely manner to help mitigate the impact of such risks.

## **Responsibility statement**

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting”, as adopted by the European Union;
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

**Hugh Scott-Barrett**

Chief Executive

17 August 2016

**Charles Staveley**

Group Finance Director

17 August 2016



## **Independent review report to Capital & Regional plc**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London, United Kingdom  
17 August 2016

## Condensed consolidated income statement

For the six months to 30 June 2016

	Note	Unaudited Six months to 30 June 2016 £m	Unaudited Six months to 30 June 2015 £m	Audited Year to 30 December 2015 £m
<b>Continuing operations</b>				
Revenue	3b	43.9	40.0	80.7
Cost of sales		(16.1)	(14.6)	(29.1)
<b>Gross profit</b>		<b>27.8</b>	<b>25.4</b>	<b>51.6</b>
Administrative costs		(5.2)	(5.4)	(10.8)
Share of profit in associates and joint ventures	9a	1.9	1.3	7.8
(Loss)/gain on revaluation of investment properties	8a	(10.3)	42.7	68.0
Other gains and losses	5	4.4	0.1	0.2
<b>Profit on ordinary activities before financing</b>		<b>18.6</b>	<b>64.1</b>	<b>116.8</b>
Finance income		0.2	0.3	0.7
Finance costs		(11.6)	(9.6)	(19.9)
<b>Profit before tax</b>		<b>7.2</b>	<b>54.8</b>	<b>97.6</b>
Tax	6	-	(0.2)	-
<b>Profit for the period from continuing operations</b>		<b>7.2</b>	<b>54.6</b>	<b>97.6</b>
<b>Discontinued operations</b>				
Profit for the period from discontinued operations		-	2.4	2.4
<b>Profit for the period</b>		<b>7.2</b>	<b>57.0</b>	<b>100.0</b>
<b>Continuing operations</b>				
Basic earnings per share	7	1.0p	7.8p	13.9p
Diluted earnings per share	7	1.0p	7.7p	13.7p
<b>Continuing and discontinued operations</b>				
Basic earnings per share	7	1.0p	8.1p	14.3p
Diluted earnings per share	7	1.0p	8.1p	14.0p

## Condensed consolidated statement of comprehensive income

For the six months to 30 June 2016

	Unaudited six months to 30 June 2016 £m	Unaudited six months to 30 June 2015 £m	Audited Year to 30 December 2015 £m
<b>Profit for the period</b>	<b>7.2</b>	<b>57.0</b>	<b>100.0</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences previously taken to reserves realised in period	-	(1.6)	(1.6)
Total items that that may be reclassified subsequently to profit or loss:	-	(1.6)	(1.6)
<b>Total comprehensive income for the period</b>	<b>7.2</b>	<b>55.4</b>	<b>98.4</b>

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

## Condensed consolidated balance sheet

At 30 June 2016

	Note	Unaudited 30 June 2016 £m	Audited 30 December 2015 £m
<b>Non-current assets</b>			
Investment properties	8	929.8	870.0
Plant and equipment		0.8	0.6
Fixed asset investments		1.8	1.6
Receivables		15.1	15.9
Investment in associates	9b	15.6	15.9
Investment in joint ventures	9c	13.6	11.7
<b>Total non-current assets</b>		<b>976.7</b>	<b>915.7</b>
<b>Current assets</b>			
Receivables		17.4	13.7
Cash and cash equivalents	10	28.5	49.9
<b>Total current assets</b>		<b>45.9</b>	<b>63.6</b>
<b>Total assets</b>		<b>1,022.6</b>	<b>979.3</b>
<b>Current liabilities</b>			
Trade and other payables		(35.5)	(33.7)
<b>Total current liabilities</b>		<b>(35.5)</b>	<b>(33.7)</b>
<b>Net current assets</b>		<b>10.4</b>	<b>29.9</b>
<b>Non-current liabilities</b>			
Bank loans	11	(418.6)	(374.9)
Other payables		(3.7)	(2.1)
Obligations under finance leases		(65.4)	(65.4)
<b>Total non-current liabilities</b>		<b>(487.7)</b>	<b>(442.4)</b>
<b>Total liabilities</b>		<b>(523.2)</b>	<b>(476.1)</b>
<b>Net assets</b>		<b>499.4</b>	<b>503.2</b>
<b>Equity</b>			
Share capital		7.0	7.0
Share premium		157.2	157.2
Other reserves		60.3	60.3
Capital redemption reserve		4.4	4.4
Own shares held		(0.6)	(0.6)
Retained earnings		271.1	274.9
<b>Equity shareholders' funds</b>		<b>499.4</b>	<b>503.2</b>
Basic net assets per share	13	£0.71	£0.72
EPRA triple net assets per share	13	£0.69	£0.70
EPRA net assets per share	13	£0.71	£0.71

## Condensed consolidated statement of changes in equity

For the six months to 30 June 2016

	Other reserves								
	Share capital	Share premium	Merger reserve	Foreign currency reserve	Net investment hedging reserve	Capital redemption reserve	Own shares held	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 30 December 2014</b>	<b>7.0</b>	<b>157.2</b>	<b>60.3</b>	<b>1.6</b>	<b>(0.4)</b>	<b>4.4</b>	<b>(0.6)</b>	<b>189.5</b>	<b>419.0</b>
Profit for the period	-	-	-	-	-	-	-	57.0	57.0
Other comprehensive loss for the period	-	-	-	(1.6)	-	-	-	-	(1.6)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57.0</b>	<b>55.4</b>
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	-	0.4	0.4
Dividends paid (note 16)	-	-	-	-	-	-	-	(4.2)	(4.2)
Other movements	-	-	-	-	0.4	-	-	(0.5)	(0.1)
<b>Balance at 30 June 2015</b>	<b>7.0</b>	<b>157.2</b>	<b>60.3</b>	<b>-</b>	<b>-</b>	<b>4.4</b>	<b>(0.6)</b>	<b>242.2</b>	<b>470.5</b>
Profit for the period	-	-	-	-	-	-	-	43.0	43.0
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43.0</b>	<b>43.0</b>
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	-	0.2	0.2
Dividends paid (note 16)	-	-	-	-	-	-	-	(10.5)	(10.5)
<b>Balance at 30 December 2015</b>	<b>7.0</b>	<b>157.2</b>	<b>60.3</b>	<b>-</b>	<b>-</b>	<b>4.4</b>	<b>(0.6)</b>	<b>274.9</b>	<b>503.2</b>
Profit for the period	-	-	-	-	-	-	-	7.2	7.2
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.2</b>	<b>7.2</b>
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	-	0.3	0.3
Dividends paid (note 16)	-	-	-	-	-	-	-	(11.3)	(11.3)
<b>Balance at 30 June 2016</b>	<b>7.0</b>	<b>157.2</b>	<b>60.3</b>	<b>-</b>	<b>-</b>	<b>4.4</b>	<b>(0.6)</b>	<b>271.1</b>	<b>499.4</b>

## Condensed consolidated cash flow statement

For the six months to 30 June 2016

	Note	Unaudited Six months to 30 June 2016 £m	Unaudited Six months to 30 June 2015 £m	Audited Year to 30 December 2015 £m
<b>Operating activities</b>				
Net cash from operations	12	21.5	6.3	29.9
Distributions received from associates/investments		0.5	-	0.2
Interest paid		(7.1)	(6.8)	(13.4)
Interest received		-	0.1	0.4
Income taxes received		-	1.0	0.9
<b>Cash flows from operating activities</b>		<b>14.9</b>	<b>0.6</b>	<b>18.0</b>
<b>Investing activities</b>				
Acquisition of The Marlowes, Hemel Hempstead		(56.6)	-	-
Disposal of German joint venture		-	42.3	42.3
Other disposals		0.4	-	-
Purchase of plant and equipment		(0.3)	-	(0.2)
Capital expenditure on investment properties		(11.2)	(4.8)	(11.4)
Investment in joint ventures	9c	-	(5.5)	(6.4)
Settlement of forward foreign exchange contract		-	2.0	2.0
<b>Cash flows from investing activities</b>		<b>(67.7)</b>	<b>34.0</b>	<b>26.3</b>
<b>Financing activities</b>				
Dividends paid including withholding tax		(11.4)	(4.2)	(13.2)
Bank loans drawn down		43.6	-	-
Bank loans repaid		(0.2)	(23.4)	(23.4)
Loan arrangement costs		(0.6)	-	(0.4)
<b>Cash flows from financing activities</b>		<b>31.4</b>	<b>(27.6)</b>	<b>(37.0)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(21.4)</b>	<b>7.0</b>	<b>7.3</b>
Cash and cash equivalents at the beginning of the period		49.9	42.6	42.6
<b>Cash and cash equivalents at the end of the period</b>	10	<b>28.5</b>	<b>49.6</b>	<b>49.9</b>

# Notes to the condensed financial statements

For the six months to 30 June 2016

## 1 General information

The comparative information included for the year ended 30 December 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

## 2 Accounting policies

### Basis of preparation

The annual financial statements of Capital & Regional plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

The principal exchange rates used to translate foreign currency denominated amounts are:

Balance sheet: £1 = €1.210 (30 June 2015: £1 = €1.406; 31 December 2015: £1 = €1.355)

Income statement: £1 = €1.285 (30 June 2015: £1 = €1.367; 31 December 2015: £1 = €1.377).

The Half-Year Report was approved by the Board on 17 August 2016.

### Going concern

The Group prepares cash flow and covenant compliance forecasts to demonstrate that it has adequate resources available to continue in operation for the foreseeable future, being at least 12 months from the date of this report. In these forecasts the directors specifically consider anticipated future market conditions and the Group's principal risks and uncertainties. Further information on the Group's financing position is contained within the Financial Review with additional details of the Group's cash position and borrowing facilities provided in notes 10 and 11 of the condensed financial statements.

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

### Change in accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in the notes to the Group's annual financial statements for the year ended 30 December 2015. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following accounting standards or interpretations were effective for the period beginning 31 December 2015 and have been applied in preparing these financial statements to the extent they are relevant to the preparation of financial information:

- IAS 19 'Defined benefit plans: employees contributions – amendments to IAS 19'
- Annual Improvements to the IFRSs 2010-2012 Cycle (various standards)

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

The following accounting standards and interpretations which are relevant to the Group have been issued, but are not yet effective:

- IFRS 9 'Financial Instruments'
- IFRS 11 'Accounting for acquisitions of interests in joint operations – amendments to IFRS 11'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- IAS 1 'Disclosure initiative – amendments to IAS 1'
- IAS 27 (amendment) 'Equity Method in Separate Financial Statements'
- IFRS 10, IFRS 12 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- IAS 16 and IAS 38 (amendments) 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Annual Improvements to the IFRSs 2012-2014 Cycle (various standards)

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments and is effective for the Group's year ending 30 December 2019. The Group has not yet completed its evaluation of the effect of the adoption.
- IFRS 15 does not apply to gross rental income, but does apply to service charge income, other fees and trading property disposals and is effective for the Group's year ending 30 December 2019. The Group does not expect adoption of IFRS 15 to have a material impact on the measurement of revenue recognition, but additional disclosures will be required with regards to the above sources of income.
- IFRS 16 will result in the Group recognising on balance sheet assets it leases along with a corresponding liability. The primary lease contracts that this will impact are the lease on the Group's head offices and the leases of the Snozone business on its Castleford and Milton Keynes sites. In addition, IFRS 16 could have an indirect impact on the Group's business if it leads to a change in occupier behaviour. Examples of this would be if its adoption results in tenants or potential tenants typically seeking shorter lease terms and/or more prevalent use of turnover-related, as opposed to fixed, rents.

### 3 Operating segments

#### 3a Operating segment performance

The Group's reportable segments under IFRS 8 are Wholly-owned assets, Other UK Shopping Centres, Snozone and Group/Central. Wholly-owned assets consists of The Mall and The Marlowes Centre, Hemel Hempstead, from its acquisition on 5 February 2016. Other UK Shopping Centres consists of the Group's interests in Kingfisher Limited Partnership (Redditch), and the Buttermarket Centre, Ipswich, from its acquisition on 3 March 2015. Group/Central includes management fee income, Group overheads incurred by Capital & Regional Property Management, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

The Group's profit on disposal from its Germany segment, recorded in the six months to 30 June 2015, has been classified as Discontinued Operations.

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

	UK Shopping Centres		Snozone	Group/Central	Total
	Wholly-owned assets	Other UK Shopping Centres			
<b>Six months to 30 June 2016</b>	£m	£m	£m	£m	£m
Rental income from external sources	30.8	1.5	-	-	<b>32.3</b>
Property and void costs	(8.0)	(0.5)	-	-	<b>(8.5)</b>
Net rental income	22.8	1.0	-	-	<b>23.8</b>
Interest income	-	-	-	0.1	<b>0.1</b>
Interest expense	(9.6)	(0.6)	-	-	<b>(10.2)</b>
<b>Contribution</b>	13.2	0.4	-	0.1	<b>13.7</b>
Snozone income/Management fees	-	-	5.4	3.9	<b>9.3</b>
Management expenses	-	-	(4.3)	(3.8)	<b>(8.1)</b>
Depreciation	-	-	(0.1)	(0.1)	<b>(0.2)</b>
Interest expense on central facility	-	-	-	(0.4)	<b>(0.4)</b>
Variable overhead (excluding non-cash items)	-	-	-	(0.6)	<b>(0.6)</b>
<b>Operating Profit/(Loss)</b>	13.2	0.4	1.0	(0.9)	<b>13.7</b>
Inter-segment eliminations	3.4	-	-	(3.4)	-
Share-based payments	-	-	-	(0.3)	<b>(0.3)</b>
Revaluation of properties	(10.3)	3.3	-	-	<b>(7.0)</b>
Profit on disposal	0.6	-	-	0.1	<b>0.7</b>
(Loss)/gain on financial instruments	(1.6)	(0.2)	-	-	<b>(1.8)</b>
Other items	-	(1.6)	-	3.5	<b>1.9</b>
Profit/(loss) before tax	5.3	1.9	1.0	(1.0)	<b>7.2</b>
Group Tax charge					-
<b>Profit after tax</b>					<b>7.2</b>
Total assets	982.6	57.5	2.8	8.1	<b>1,051.0</b>
Total liabilities	(501.8)	(28.4)	(1.1)	(20.3)	<b>(551.6)</b>
<b>Net assets</b>	480.8	29.1	1.7	(12.2)	<b>499.4</b>

### 3 Operating segments (continued)

#### 3a Operating segment performance

	UK Shopping Centres			Group/ Central	Total Continuing Operations	Discontinued Operations	Total
	Wholly- owned assets	Other UK Shopping Centres	Snozone				
<b>Six months to 30 June 2015</b>	£m	£m	£m	£m	£m	£m	£m
Rental income from external sources	28.3	1.5	-	-	<b>29.8</b>	-	<b>29.8</b>
Property and void costs	(7.5)	(0.6)	-	-	<b>(8.1)</b>	-	<b>(8.1)</b>
Net rental income	20.8	0.9	-	-	<b>21.7</b>	-	<b>21.7</b>
Interest income	-	-	-	-	-	-	-
Interest expense	(8.9)	(0.4)	-	-	<b>(9.3)</b>	-	<b>(9.3)</b>
<b>Contribution</b>	<b>11.9</b>	<b>0.5</b>	-	-	<b>12.4</b>	-	<b>12.4</b>
Snozone income/Management fees	-	-	5.4	3.3	<b>8.7</b>	-	<b>8.7</b>
Management expenses	-	-	(4.3)	(4.0)	<b>(8.3)</b>	-	<b>(8.3)</b>
Depreciation	-	-	(0.1)	-	<b>(0.1)</b>	-	<b>(0.1)</b>
Interest expense on central facility	-	-	-	(0.4)	<b>(0.4)</b>	-	<b>(0.4)</b>
Variable overhead (excluding non-cash items)	-	-	-	(0.5)	<b>(0.5)</b>	-	<b>(0.5)</b>
<b>Operating Profit/(Loss)</b>	<b>11.9</b>	<b>0.5</b>	<b>1.0</b>	<b>(1.6)</b>	<b>11.8</b>	-	<b>11.8</b>
Inter-segment eliminations	2.8	-	-	(2.8)	-	-	-
Share-based payments	-	-	-	(0.5)	<b>(0.5)</b>	-	<b>(0.5)</b>
Revaluation of properties	42.7	0.7	-	-	<b>43.4</b>	-	<b>43.4</b>
Profit on disposal	-	-	-	-	-	2.4	<b>2.4</b>
(Loss)/gain on financial instruments	(0.1)	0.1	-	-	-	-	-
Other items	-	-	-	0.1	<b>0.1</b>	-	<b>0.1</b>
Profit/(loss) before tax	57.3	1.3	1.0	(4.8)	<b>54.8</b>	2.4	<b>57.2</b>
Group Tax charge	-	-	-	-	<b>(0.2)</b>	-	<b>(0.2)</b>
<b>Profit after tax</b>	-	-	-	-	<b>54.6</b>	2.4	<b>57.0</b>
Total assets	903.0	39.0	1.8	23.8	<b>967.6</b>	-	<b>967.6</b>
Total liabilities	(475.8)	(18.6)	(1.3)	(1.4)	<b>(497.1)</b>	-	<b>(497.1)</b>
<b>Net assets</b>	<b>427.2</b>	<b>20.4</b>	<b>0.5</b>	<b>22.4</b>	<b>470.5</b>	-	<b>470.5</b>



### 3 Operating segments (continued)

#### 3a Operating segment performance

	UK Shopping Centres			Group/ Central	Total Continuing Operations	Discontinued Operations	Total
	Wholly- owned assets	Other UK Shopping Centres	Snozone				
Year to 30 December 2015	£m	£m	£m	£m	£m	£m	£m
Rental income from external sources	57.5	3.1	-	-	60.6	-	60.6
Property and void costs	(15.3)	(1.1)	-	-	(16.4)	-	(16.4)
Net rental income	42.2	2.0	-	-	44.2	-	44.2
Interest income	0.3	-	-	0.2	0.5	-	0.5
Interest expense	(18.2)	(0.8)	-	-	(19.0)	-	(19.0)
<b>Contribution</b>	24.3	1.2	-	0.2	25.7	-	25.7
Snozone income/Management fees	-	-	10.3	6.1	16.4	-	16.4
Management expenses	-	-	(8.8)	(6.4)	(15.2)	-	(15.2)
Depreciation	-	-	(0.1)	(0.1)	(0.2)	-	(0.2)
Interest expense on central facility	-	-	-	(1.0)	(1.0)	-	(1.0)
Variable overhead (excluding non-cash items)	-	-	-	(1.7)	(1.7)	-	(1.7)
<b>Operating Profit/(Loss)</b>	24.3	1.2	1.4	(2.9)	24.0	-	24.0
Inter-segment eliminations	6.4	-	-	(6.4)	-	-	-
Share-based payments	-	-	-	(0.6)	(0.6)	-	(0.6)
Revaluation of properties	68.0	6.8	-	-	74.8	-	74.8
Profit on disposal	0.1	-	-	-	0.1	2.4	2.5
Loss on financial instruments	(0.8)	-	-	-	(0.8)	-	(0.8)
Other items	-	(0.2)	-	0.3	0.1	-	0.1
Profit/(loss) before tax	98.0	7.8	1.4	(9.6)	97.6	2.4	100.0
Group Tax charge	-	-	-	-	-	-	-
<b>Profit after tax</b>	-	-	-	-	97.6	2.4	100.0
Total assets	923.6	49.0	3.0	25.1	1,000.7	-	1,000.7
Total liabilities	(471.4)	(21.4)	(1.7)	(3.0)	(497.5)	-	(497.5)
<b>Net assets</b>	452.2	27.6	1.3	22.1	503.2	-	503.2

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

		Unaudited Six months to 30 June 2016	Unaudited Six months 30 June 2015	Audited Year to 30 December 2015
Revenue	Note	£m	£m	£m
Rental income from external sources	3a	32.3	29.8	60.6
Service charge income		7.2	5.8	11.9
Management fees	3a	3.9	3.3	6.1
Snozone income	3a	5.4	5.4	10.3
Revenue for reportable segments		48.8	44.3	88.9
Elimination of inter-segment revenue		(3.4)	(2.8)	(5.1)
Rental income earned by associates and joint ventures		(1.5)	(1.5)	(3.1)
<b>Revenue per consolidated income statement</b>		43.9	40.0	80.7

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

### 3 Operating segments (continued)

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

		Unaudited Six months to 30 June 2016 £m	Unaudited Six months 30 June 2015 £m	Audited Year to 30 December 2015 £m
<b>Balance sheet</b>	Note			
Total assets of reportable segments	3a	1,051.0	967.6	1,000.7
Inter-segment eliminations		-	(7.1)	-
Adjustment for associates and joint ventures		(28.4)	(18.6)	(21.4)
<b>Group assets</b>		<b>1,022.6</b>	<b>941.9</b>	<b>979.3</b>
Total liabilities of reportable segments	3a	(551.6)	(497.1)	(497.5)
Inter-segment eliminations		-	7.1	-
Adjustment for associates and joint ventures		28.4	18.6	21.4
<b>Group liabilities</b>		<b>(523.2)</b>	<b>(471.4)</b>	<b>(476.1)</b>
<b>Net assets by country</b>				
UK		499.2	470.4	503.1
Germany		0.2	0.1	0.1
<b>Net assets by country</b>		<b>499.4</b>	<b>470.5</b>	<b>503.2</b>

### 4 Revenue

		Unaudited Six months to 30 June 2016 £m	Unaudited Six months 30 June 2015 £m	Audited Year to 30 December 2015 £m
<b>Statutory</b>	Note			
Gross rental income		25.8	23.7	47.7
Ancillary income		5.0	4.6	9.8
		<b>30.8</b>	<b>28.3</b>	<b>57.5</b>
Service charge income		7.2	5.8	11.9
Management fees		0.5	0.5	1.0
Snozone income	3a	5.4	5.4	10.3
<b>Revenue per consolidated income statement – continuing operations</b>	3b	<b>43.9</b>	<b>40.0</b>	<b>80.7</b>

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

### 5 Other gains and losses

Other gains and losses in the period include £3.6 million of monies recovered through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies have been distributed following the sale of properties by the liquidator of the underlying German LP4 portfolio.

### 6 Tax

		Unaudited Six months to 30 June 2016 £m	Unaudited Six months to 30 June 2015 £m	Audited Year to 30 December 2015 £m
<b>Tax charge</b>				
UK corporation tax – continuing operations		-	0.1	-
Adjustments in respect of prior years – continuing operations		-	0.1	-
Total current tax charge		-	0.2	-
Deferred tax		-	-	-
<b>Total tax charge</b>		<b>-</b>	<b>0.2</b>	<b>-</b>
<b>Total tax charge – continuing operations</b>		<b>-</b>	<b>0.2</b>	<b>-</b>

## 6 Tax (continued)

	Unaudited Six months to 30 June 2016 £m	Unaudited Six months to 30 June 2014 <sup>1</sup> £m	Audited Year to 30 December 2014 £m
<b>Tax charge reconciliation</b>			
Profit before tax on continuing operations	7.2	54.8	97.6
Profit multiplied by the UK corporation tax rate of 20.00% (30 June 2015: 20.25%, 30 December 2015: 20.25%)	1.4	11.1	19.8
REIT exempt income and gains	(0.4)	(12.5)	(18.5)
Non-allowable expenses and non-taxable items	(0.4)	(2.2)	-
Utilisation of tax losses	0.1	0.3	0.3
Tax on realised gains	-	1.6	-
Unrealised gains on investment properties not taxable at the Group	(0.7)	(0.1)	(1.5)
Temporary timing differences	-	1.9	(0.1)
Adjustments in respect of prior years	-	0.1	-
<b>Total tax charge – continuing operations</b>	-	0.2	-

The UK corporation tax main rate was reduced to 20% with effect from 1 April 2015. The budget on 8 July 2015 announced a further phased reduction in the UK corporation tax main rate whereby the rate is proposed to reduce to 18% by 1 April 2020. This proposal was substantively enacted on 26 October 2015. Consequently the UK corporation tax rate at which deferred tax is booked in the financial statements is 18% (2014: 20%). The budget on 16 March 2016 announced a further proposed reduction in the UK corporation tax main rate to 17% by 1 April 2020 (previously 18% as noted above). However, until this proposal is substantively enacted, the rate at which deferred tax is booked will remain at 18%. A deferred tax provision of £3.2 million (C&R share £1.6 million) has been recognised in relation to the unrealised revaluation gain on the Buttermarket Ipswich but is not included within the Group tax charge as it is recorded within the joint venture entity that is not consolidated (see Note 9e).

No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates and interests in joint ventures of £nil (30 December 2015: £nil) as it is not certain that a deduction will be available when the asset crystallises. The Group has £9.8 million (30 December 2015: £9.2 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 (30 December 2015: £nil) owing to the unpredictability of future profit streams and other reasons which may restrict their utilisation. The Group has unused capital losses of £30.3 million (30 December 2015: £30.4 million) that are available for offset against future gains but, similarly, no deferred tax asset has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict their utilisation. The losses do not have an expiry date.

## 7 Earnings per share

The European Public Real Estate Association ("EPRA") has issued recommendations for the calculation of earnings per share information as shown in the following table:

	Basic £m	Diluted £m	EPRA diluted £m
<b>Earnings</b>			
<b>Profit for the period from continuing operations</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>
Revaluation of investment properties	-	-	7.0
Profit on disposal of investment properties (net of tax)	-	-	(0.7)
Profit on Euro B-Note (Note 5)	-	-	(3.6)
Movement in fair value of financial instruments (net of tax)	-	-	1.8
Deferred tax credit on capital allowances	-	-	1.7
<b>Profit</b>	<b>7.2</b>	<b>7.2</b>	<b>13.4</b>

	Million	Million	Million
<b>Number of shares</b>			
Ordinary shares in issue	700.8	700.8	700.8
Own shares held	(1.0)	(1.0)	(1.0)
Dilutive contingently issuable shares and share options		5.5	5.5
Weighted average number of shares for the purpose of earnings per share	699.8	705.3	705.3

	Pence	Pence	Pence
<b>Earnings per share – continuing operations</b>			
<b>Six months to 30 June 2016 (unaudited)</b>	<b>1.0</b>	<b>1.0</b>	<b>1.9</b>
Six months to 30 June 2015 (unaudited)	7.8	7.7	1.6
Year to 30 December 2015 (audited)	13.9	13.7	3.3

	Pence	Pence	Pence
<b>Earnings per share – continuing and discontinued operations</b>			
<b>Six months to 30 June 2016 (unaudited)</b>	<b>1.0</b>	<b>1.0</b>	<b>1.9</b>
Six months to 30 June 2015 (unaudited)	8.1	8.1	1.6
Year to 30 December 2015 (audited)	14.3	14.0	3.3

## 7 Earnings per share (continued)

At the end of the period, the Group had 13.4 million (30 December 2015: 6.3 million) additional share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute basic earnings per share in the future but which have not been included in the calculation because they are not dilutive or the performance conditions for vesting were not met based on the position at 30 June 2016.

### Headline earnings per share

	Six months to 30 June 2016		Six months to 30 June 2015		Year to 30 December 2015	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
<b>Profit (£m)</b>						
Profit for the period	7.2	7.2	57.0	57.0	100.0	100.0
Revaluation of investment properties (net of tax)	8.6	8.6	(43.4)	(43.4)	(74.8)	(74.8)
Profit on disposal of investment properties (net of tax)	(0.7)	(0.7)	(2.4)	(2.4)	(2.5)	(2.5)
Profit on Euro B-Note (Note 5)	(3.6)	(3.6)	-	-	-	-
<b>Headline earnings</b>	<b>11.5</b>	<b>11.5</b>	<b>11.2</b>	<b>11.2</b>	<b>22.7</b>	<b>22.7</b>
<b>Weighted average number of shares (m)</b>						
Ordinary shares in issue	700.8	700.8	700.8	700.8	700.8	700.8
Own shares held	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Dilutive contingently issuable shares and share options	-	5.5	-	5.8	-	12.6
	<b>699.8</b>	<b>705.3</b>	<b>699.8</b>	<b>705.6</b>	<b>699.8</b>	<b>712.4</b>
<b>Headline Earnings per share (pence)</b>	<b>1.6p</b>	<b>1.6p</b>	<b>1.6p</b>	<b>1.6p</b>	<b>3.2p</b>	<b>3.2p</b>

## 8 Investment properties

### 8a Wholly-owned properties

	Freehold investment properties	Leasehold investment properties	Total property assets
	£m	£m	£m
<b>Cost or valuation</b>			
At 30 December 2015	292.7	577.3	870.0
Acquired	56.6	-	56.6
Capital expenditure	5.2	8.3	13.5
Valuation deficit	(5.9)	(4.4)	(10.3)
<b>At 30 June 2016</b>	<b>348.6</b>	<b>581.2</b>	<b>929.8</b>

### 8b Property assets summary

	30 June 2016		30 December 2015	
	100% £m	Group share £m	100% £m	Group share £m
<b>Wholly-owned</b>				
Investment properties at fair value	882.1	882.1	822.7	822.7
Head leases treated as finance leases on investment properties	65.4	65.4	65.4	65.4
Unamortised tenant incentives on investment properties	(17.7)	(17.7)	(18.1)	(18.1)
IFRS Property Value	<b>929.8</b>	<b>929.8</b>	870.0	870.0
<b>Associates</b>				
Investment properties at fair value	163.5	32.7	164.4	32.9
Unamortised tenant incentives on investment properties	(4.1)	(0.8)	(4.1)	(0.8)
IFRS Property Value	<b>159.4</b>	<b>31.9</b>	160.3	32.1
<b>Joint Ventures</b>				
Investment properties at fair value	44.3	22.2	27.9	14.0
Unamortised tenant incentives on investment properties	(1.2)	(0.6)	(0.7)	(0.4)
IFRS Property Value	<b>43.1</b>	<b>21.6</b>	27.2	13.6
<b>Total at property valuation</b>	<b>1,089.9</b>	<b>937.0</b>	1,015.0	869.6
<b>Total IFRS Property Value</b>	<b>1,132.3</b>	<b>983.3</b>	1,057.5	915.7

## 8 Investment properties (continued)

### 8c Valuations

External valuations were carried out on all of the property assets detailed in the table above. The Group's share of these properties at fair value was £937.0 million of £1,089.9 million (30 December 2015: £869.6 million of £1,015.0 million).

The valuations were carried out by independent qualified professional valuers from CBRE Limited, Cushman & Wakefield LLP and Knight Frank LLP in accordance with RICS standards. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations.

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

#### Valuation uncertainty following the EU Referendum

Each of the valuers included within their valuations the following paragraphs highlighting the potential future impact on property values of the result of the EU referendum.

*Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets.*

*Since the Referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place. The probability of our opinion of value exactly coinciding with the price achieved, were there to be a sale, has reduced. We would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to effect a disposal.*

## 9 Investment in associates and joint ventures

9a Share of results	Unaudited Six months to 30 June 2016 £m	Unaudited Six months to 30 June 2015 £m	Audited Year to 30 December 2015 £m
	Note		
Share of results of associates	9b	-	2.5
Share of results of joint ventures	9c	1.9	5.3
		<b>1.9</b>	<b>7.8</b>

9b Investment in associates	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2015 £m
	Note	
At the start of the period		13.6
Share of results of associates	9d	2.5
Dividends and capital distributions received		(0.2)
At the end of the period	9d	15.9

The Group's only significant associate at 30 June 2016 and 30 December 2015 was its 20% interest in the Kingfisher Limited Partnership which owns the Kingfisher Shopping Centre in Redditch. The Group exercises significant influence through its representation on the General Partner board and through acting as the property and asset manager.

9c Investment in joint ventures	Unaudited Six months to 30 June 2016 £m	Audited Year to 30 December 2015 £m
	Note	
At the start of the period		-
Investment in Buttermarket Ipswich Limited		6.4
Share of results of joint ventures	9e	5.3
Dividends and capital distributions received		-
At the end of the period	9e	11.7

The Group's only significant joint venture as at 30 June 2016 and 30 December 2015 was its 50% interest in Buttermarket Ipswich Limited. Buttermarket Ipswich Limited acquired the Buttermarket Centre, Ipswich on 3 March 2015.

## 9 Investment in associates and joint ventures (continued)

### 9d Analysis of investment in associates

	Note	Other UK Shopping Centres £m	Unaudited Six months to 30 June 2016 Total £m	Unaudited Six months to 30 June 2015 Total £m	Audited Year to 30 December 2015 Total £m
<b>Income statement (100%)</b>					
Revenue – gross rent		5.8	5.8	6.0	11.9
Property and management expenses		(0.9)	(0.9)	(1.1)	(1.9)
Void costs		(0.4)	(0.4)	(0.6)	(1.1)
Net rent		4.5	4.5	4.3	8.9
Net interest payable		(2.0)	(2.0)	(2.0)	(4.1)
Contribution		2.5	2.5	2.3	4.8
Revaluation of investment properties		(1.2)	(1.2)	3.1	8.6
Fair value of interest rate swaps		(0.9)	(0.9)	0.4	0.2
Profit before tax		0.4	0.4	5.8	13.6
Tax		(0.5)	(0.5)	-	(1.0)
Profit after tax (100%)		(0.1)	(0.1)	5.8	12.6
<b>Balance sheet (100%)</b>					
Investment properties		159.4	159.4	153.9	160.3
Other assets		10.8	10.8	11.3	12.2
Current liabilities		(7.1)	(7.1)	(6.3)	(7.6)
Non-current liabilities		(85.1)	(85.1)	(85.0)	(85.1)
Net assets (100%)		78.0	78.0	73.9	79.8
<b>Income statement (Group share)</b>					
Revenue – gross rent		1.2	1.2	1.2	2.4
Property and management expenses		(0.2)	(0.2)	(0.3)	(0.4)
Void costs		(0.1)	(0.1)	(0.1)	(0.2)
Net rent		0.9	0.9	0.8	1.8
Net interest payable		(0.4)	(0.4)	(0.4)	(0.8)
Contribution		0.5	0.5	0.4	1.0
Revaluation of investment properties		(0.2)	(0.2)	0.6	1.7
Fair value of interest rate swaps		(0.2)	(0.2)	0.1	-
Profit before tax		0.1	0.1	1.1	2.7
Tax		(0.1)	(0.1)	-	(0.2)
<b>Profit after tax (Group share)</b>	9b	-	-	1.1	2.5
<b>Balance sheet (Group share)</b>					
Investment properties		31.9	31.9	30.8	32.1
Other assets		2.1	2.1	2.2	2.4
Current liabilities		(1.4)	(1.4)	(1.3)	(1.5)
Non-current liabilities		(17.0)	(17.0)	(17.0)	(17.1)
<b>Net assets (Group share)</b>	9b	15.6	15.6	14.7	15.9

## 9 Investment in associates and joint ventures (continued)

### 9e Analysis of investment in joint ventures<sup>1</sup>

	Other UK Shopping Centres	Unaudited Six months to 30 June 2016 Total £m	Unaudited Six months to 30 June 2015 Total £m	Audited Year to 30 December 2015 <sup>1</sup> Total £m
Note	£m	£m	£m	£m
<b>Income statement (100%)</b>				
Revenue – gross rent	0.8	<b>0.8</b>	0.6	1.5
Property and management expenses	(0.4)	<b>(0.4)</b>	(0.4)	(0.5)
Void costs	(0.3)	<b>(0.3)</b>	-	(0.6)
Net rent	0.1	<b>0.1</b>	0.2	0.4
Net interest payable	(0.3)	<b>(0.3)</b>	-	-
Contribution	(0.2)	<b>(0.2)</b>	0.2	0.4
Revaluation of investment properties	7.1	<b>7.1</b>	0.2	10.1
Profit on sale of investment properties	-	-	-	-
Fair value of interest rate swaps	-	-	-	-
Profit before tax	6.9	<b>6.9</b>	0.4	10.5
Tax	(3.2)	<b>(3.2)</b>	-	-
Profit after tax (100%)	3.7	<b>3.7</b>	0.4	10.5
<b>Balance sheet (100%)</b>				
Investment properties	43.1	<b>43.1</b>	10.7	27.2
Other assets	3.9	<b>3.9</b>	1.3	1.7
Current liabilities	(5.4)	<b>(5.4)</b>	(0.6)	(1.8)
Non-current liabilities	(14.6)	<b>(14.6)</b>	-	(4.0)
Net assets (100%)	27.0	<b>27.0</b>	11.4	23.1
<b>Income statement (Group share)</b>				
Revenue – gross rent	0.4	<b>0.4</b>	0.3	0.7
Property and management expenses	(0.2)	<b>(0.2)</b>	(0.2)	(0.2)
Void costs	(0.1)	<b>(0.1)</b>	-	(0.3)
Net rent	0.1	<b>0.1</b>	0.1	0.2
Net interest payable	(0.2)	<b>(0.2)</b>	-	-
Contribution	(0.1)	<b>(0.1)</b>	0.1	0.2
Revaluation of investment properties	3.6	<b>3.6</b>	0.1	5.1
Profit on sale of investment properties	-	-	-	-
Fair value of interest rate swaps	-	-	-	-
Profit before tax	3.5	<b>3.5</b>	0.2	5.3
Tax	(1.6)	<b>(1.6)</b>	-	-
<b>Profit after tax (Group share)</b>	9c 1.9	<b>1.9</b>	0.2	5.3
<b>Balance sheet (Group share)</b>				
Investment properties	21.6	<b>21.6</b>	5.4	13.6
Other assets	2.0	<b>2.0</b>	0.6	0.9
Current liabilities	(2.7)	<b>(2.7)</b>	(0.3)	(0.8)
Non-current liabilities	(7.3)	<b>(7.3)</b>	-	(2.0)
<b>Net assets (Group share)</b>	9c 13.6	<b>13.6</b>	5.7	11.7

<sup>1</sup> The results of Buttermarket Ipswich Limited were included from the Group's acquisition on 3 March 2015.

## 10 Cash and cash equivalents

	Unaudited 30 June 2016 £m	Audited 30 December 2015 £m
Cash at bank	<b>20.4</b>	41.9
Security disposals held in rent accounts	<b>0.8</b>	0.6
Other restricted balances	<b>7.3</b>	7.4
<b>Total cash and cash equivalents</b>	<b>28.5</b>	49.9

## 11 Borrowings

### Summary of borrowings

The Group's borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. There were no defaults or other breaches of financial covenants that were not waived under any of the Group borrowings during the current year or the preceding year.

	30 June 2016 £m	30 December 2015 £m
<b>Borrowings at amortised cost</b>		
<b>Secured</b>		
Fixed and swapped bank loans	260.2	233.3
Variable rate bank loans	146.5	146.7
Total secured borrowings	406.7	380.0
<b>Unsecured</b>		
Variable rate bank loans	16.8	-
Total unsecured borrowings	16.8	-
Total borrowings before costs	423.5	380.0
Unamortised issue costs	(4.9)	(5.1)
<b>Total borrowings after costs</b>	418.6	374.9
<b>Analysis of total borrowings after costs</b>		
Current	-	-
Non-current	418.6	374.9
<b>Total borrowings after costs</b>	418.6	374.9

During the period £26.9 million of new debt was drawn in respect of the acquisition of The Marlowes Centre, Hemel Hempstead.

The fair value of total borrowings before costs as at 30 June 2016 was £433.6 million (30 December 2015: £384.6 million).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. All of the assets listed were classified as Level 2, as defined in note 1 to the financial statements for the year ended 30 December 2015. There were no transfers between Levels in the year.

	30 June 2016 £m	30 December 2015 £m
<b>Financial assets</b>		
Interest rate caps	0.1	0.5
Interest rate swaps	(1.2)	-
Foreign exchange forward contracts	(0.3)	-
	(1.4)	0.5

## 12 Notes to the cash flow statement

	Unaudited Six months to 30 June 2016 £m	Unaudited Six months to 30 June 2015 £m	Audited Year to 30 December 2015 £m
Profit for the period	7.2	57.0	100.0
Adjusted for:			
Finance income – continuing and discontinued operations	(0.2)	(0.3)	(0.7)
Finance expense – continuing and discontinued operations	11.6	9.6	19.9
Income tax expense – continuing operations	-	0.2	-
Profit on disposal of German joint venture	-	(2.4)	(2.4)
Loss/(profit) on revaluation of wholly-owned properties	10.3	(42.7)	(68.0)
Share of profit in associates and joint ventures	(1.9)	(1.3)	(7.8)
Other gains and losses	(4.4)	(0.1)	(0.1)
Depreciation of other fixed assets	0.2	0.1	0.2
Decrease/(Increase) in receivables	0.1	(2.1)	(0.8)
Decrease in payables	(1.7)	(12.2)	(11.0)
Non-cash movement relating to share-based payments	0.3	0.5	0.6
<b>Net cash from operations</b>	21.5	6.3	29.9



### 13 Net assets per share

EPRA has issued recommended bases for the calculation of certain net assets per share information as shown in the following table:

	Unaudited 30 June 2016			Unaudited 30 June 2015	Audited 30 December 2015
	Net assets £m	Number of shares million	Net assets per share £	Net assets per share £	Net assets per share £
<b>Basic net assets</b>	<b>499.4</b>	<b>700.8</b>	<b>0.71</b>	0.67	0.72
Own shares held	-	(1.0)			
Dilutive contingently issuable shares and share options	-	5.5			
Fair value of fixed rate loans (net of tax)	(10.1)				
<b>EPRA triple net assets</b>	<b>489.3</b>	<b>705.3</b>	<b>0.69</b>	0.66	0.70
Exclude fair value of fixed rate loans (net of tax)	10.1				
Exclude fair value of see-through interest rate derivatives	1.7				
Exclude deferred tax on unrealised gains/capital allowances	1.5				
<b>EPRA net assets</b>	<b>502.6</b>	<b>705.3</b>	<b>0.71</b>	0.67	0.71

The number of Ordinary shares issued and fully paid at 30 June 2016 was 700,752,626 unchanged from 30 December 2015 and 30 June 2015. There have been no changes to the number of shares from 30 June 2016 to the date of this announcement.

### 14 Return on equity

	Unaudited Six months to 30 June 2016 £m	Unaudited Six months to 30 June 2015 £m	Audited Year to 30 December 2015 £m
Total comprehensive income attributable to equity shareholders	7.2	55.4	98.4
Opening equity shareholders' funds	503.2	419.0	419.0
Return on equity	1.4%	13.2%	23.5%

### 15 Related party transactions

There have been no material changes to, or material transactions with, related parties as described in note 31 of the annual audited financial statements for the year ended 30 December 2015, except for:

#### **Distributions received from related parties**

During the period, the Group received cash distributions of £0.3 million from related parties as disclosed in notes 9b and 9c.

#### **Management fee income from related parties**

During the period, the Group received management fee income in the normal course of business of £0.4 million from related parties.

### 16 Dividends

	Unaudited Six months to 30 June 2016 £m	Unaudited Six months to 30 June 2015 £m	Audited Year to 30 December 2015 £m
Final dividend per share for year ended 30 December 2014 of 0.60p	-	4.2	4.2
Interim dividend per share paid for year ended 30 December 2015 of 1.50p	-	-	10.5
Final dividend per share for year ended 30 December 2015 of 1.62p	11.3	-	-
Amounts recognised as distributions to equity holders in the period	11.3	4.2	14.7
Interim dividend per share for year ended 30 December 2016 of 1.62p <sup>1</sup>	11.3	-	-

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

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## Glossary of terms

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

**CRPM** is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from The Mall 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 value during the year for properties held at the balance sheet date, after taking account of capital expenditure and exchange translation movements, 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** includes the dilutive effect of share-based payments but ignores 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** includes 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 rate cover (ICR)** is the ratio of either (i) Operating Profit (before interest, tax, depreciation and amortisation); or (ii) net rental income to the interest charge.

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

**Like for like** figures 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 fair value of properties (including adjustments for tenant incentives and head leases).

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

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

**Net initial yield (NIY)** is the annualised net rent generated by the portfolio expressed as a percentage of the portfolio valuation grossed up for purchaser's costs.

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

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

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

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

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

**Property under management** is the valuation of properties for which CRPM is the asset manager.

**Operating Profit** is the total of Contribution from The Mall 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) before tax. Operating 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.

**REIT** – Real Estate Investment Trust.

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

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

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

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

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

**SDLT** is Stamp Duty Land Tax, a tax levied in the UK on the purchase of an interest in land.

**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.

**Vacancy rate** is the ERV of vacant properties expressed as a percentage of the total ERV of the portfolio, excluding development properties, in line with EPRA's best practice recommendations.

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

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## Wholly-owned assets portfolio information

At 30 June 2016

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### Physical data

Number of properties	7
Number of lettable units	816
Lettable space (sq feet – '000s)	3,606

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### Valuation data

Properties at independent valuation (£m)	882.1
Adjustments for head leases and tenant incentives (£m)	47.7

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### Properties as shown in the financial statements (£m)

**929.8**

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Revaluation in the period (£m)	(10.3)
Initial yield (%)	6.0
Equivalent yield (%)	6.2
Property level return <sup>1</sup> (%)	2.1
Reversionary (%)	15.6
Loan to value ratio (%)	46.1
Net debt to value ratio (%)	44.0

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### Lease length (years)

Weighted average lease length to break (years)	7.1
Weighted average lease length to expiry (years)	8.4

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

Six months to 30 December 2016	7.4
Year to 30 December 2017	5.2
Three years to 30 December 2020	13.2

### ERV (£m) of leases expiring in:

Six months to 30 December 2016	8.3
Year to 30 December 2017	6.3
Three years to 30 December 2020	13.7

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

Six months to 30 December 2016	4.1
Year to 30 December 2017	5.7
Three years to 30 December 2020	8.9

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

Six months to 30 December 2016	4.0
Year to 30 December 2017	5.6
Three years to 30 December 2020	9.9

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### Rental Data

Contracted rent at period end (£m)	63.6
Passing rent at period end (£m)	59.2
ERV at period end (£m per annum)	68.5
Occupancy rate (%)	96.4

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<sup>1</sup> On assets held throughout the period