CAPITAL & REGIONAL

8 March 2018

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

Full Year Results to 30 December 2017

Capital & Regional plc (LSE: CAL), the UK focused REIT with a portfolio of dominant in-town community shopping centres, today announces its full year results to 30 December 2017.

Lawrence Hutchings, Chief Executive, said: "*This is another strong set of results that provides me with further confidence in our decision to focus on serving the non-discretionary, value and "needs" based end of consumer demand through our portfolio of community shopping centres. I believe that C&R through our platform, quality portfolio, energy, insight and experience, can redefine and be recognised as the specialist owner/manager, driving strong returns in this high yielding sector. We have confidence that our repositioning programme and rebased affordable occupancy costs allow our retailer customers to trade profitably in these high footfall locations that have proven to be the engine room for their profits.*

"The Board has announced a 7.4% increase in total dividend for 2017 and, while fully aware that recent occupier failures present some challenges to short term results, believes that both the momentum we have carried through into 2018 and our strategic asset management masterplans, underpin our objective of delivering annual dividend growth in a range of 5% and 8% over the medium-term."

Highlights:

Income growth driving 7.4% increase in total 2017 dividend

- Adjusted Profit[1] up 8.6% to £29.1 million (December 2016: £26.8 million); Adjusted Earnings per Share[1] up 7.3% to 4.10p (December 2016: 3.82p)
- IFRS Profit for the period of £22.4 million (December 2016: Loss of £4.4 million)
- Like-for-like[2] Net Rental Income up 1.9%
- 79 new lettings and renewals achieved at an average 10.3%[3] premium to previous rents and an 8.4%[3] premium to ERV. Passing rent up 3.0% on a like-for-like basis
- Occupancy improved to 97.3% (December 2016: 95.4%)
- Cost efficiencies delivered annual savings of £1.2 million, on track for annualised savings of at least £1.8 million by end of 2018
- 7.4% increase in total dividend to 3.64p per share (December 2016: 3.39p)

Community shopping centre strategy

- Strong progress since launch at Capital Markets Day in December 2017
- Highly successful implementation of Ilford and Maidstone pilot projects – contributed to 0.5% increase in footfall in second half of 2017, significantly outperforming national index at -2.9%
- Positive footfall momentum has continued in 2018, portfolio up 3.1% for two months to end of February 2018 compared to national index at -2.9%
- Strategic asset management masterplans now implemented across portfolio focused on further enhancing and improving our shopping centres' community offer and trading environments
- Revised Capex plan with opportunities for over 50 projects across the portfolio totalling over £100 million

Robust balance sheet with long term debt security

- Basic and EPRA NAV per share resilient, both at 67p (December 2016: both 68p)
- Group Cost of debt of 3.25% with average debt maturity of 7.3 years[4]

	2017	2016		
Net Rental Income	**£51.6m**	£50.4m	+£1.2m	+2.4%
Adjusted Profit[1]	**£29.1m**	£26.8m	+£2.3m	+8.6%
Adjusted Earnings per share[1]	**4.10p**	3.82p	+0.28	+7.3%
IFRS Profit/(Loss) for the period	**£22.4m**	£(4.4)m		
Total dividend per share	**3.64p**	3.39p	+0.25p	+7.4%
Net Asset Value (NAV) per share	**67p**	68p	-1p	-1.5%
EPRA NAV per share	**67p**	68p	-1p	-1.5%
Group net debt[5]	**£404.0m**	£398.1m	+£5.9m	+1.5%
Net debt to property value[5]	**46%**	46%	-	

Use of Alternative Performance Measures (APMs)

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

Notes

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

[1] Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary. Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 5 to the financial statements.

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

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

[4] As at 30 December 2017, assuming exercise of all extension options.

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

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Notes to editors:

About Capital & Regional plc

Capital & Regional is a UK focused retail property REIT specialising in shopping centres that dominate their catchment, serving the non-discretionary and value orientated needs of their local communities. It has a strong track record of delivering value enhancing retail and leisure asset management opportunities across a c. £1 billion portfolio of tailored in-town shopping centres. Capital & Regional is listed on the main market of the London Stock Exchange and has a secondary listing on the Johannesburg Stock Exchange.

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

For further information see www.capreg.com.

Forward looking statements

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

Chairman’s statement

C&R is reporting another strong set of results. Adjusted profit, which reflects the underlying performance of the business, has risen by 8.6% from £26.8 million to £29.1 million. Given the very challenging retail environment we have seen for much of the year, this result is an endorsement of the resilience of the existing portfolio together with the impact of key asset management initiatives at Walthamstow and Wood Green, in particular, which positively impacted income in 2017. Profit for the period, at £22.4 million, compares with a loss in 2016 of £4.4 million which reflected a revaluation loss and an £11 million charge in relation to implementing the new debt structure.

Both Net Asset Value per share and EPRA Net Asset Value per share of 67 pence compare with 68 pence as at 30 December 2016. This modest decline reflects the strong performance of our assets based in and around London offset by some yield expansion in those outside of the Greater London area.

Strategy

The appointment of a new chief executive has afforded the opportunity for a root and branch review of strategy. Lawrence Hutchings has provided the Board with recommendations on how this should evolve and on how execution can be enhanced in light of the fast changing and challenging retail landscape. This has been debated extensively and endorsed by the Board. The management team subsequently communicated the strategy to investors in December 2017.

C&R is well placed to benefit from increasing polarisation within the shopping centre market which is driving consumers to separate visits to premium destinations for their “wants”, and to convenient local venues, which focus on their regular value and essential non-discretionary spending, for their “needs”. The Group’s community malls have benefitted from the rebasing of rents since the global financial crisis. This makes them appealing to retailers, who can generate a high proportion of their profits from this segment due to the attractive dynamic between rental levels and sales performance. To be successful, community malls still need to deliver a quality product tailored to the needs of the individual communities that they serve. Furthermore, creativity and investment are required to deliver a superior experience as the occupier mix continues to evolve, to further reflect categories which perform best in physical stores in an increasingly omnichannel environment. C&R’s management platform remains a source of real differentiation given the ever more critical need for intensive management of these community malls to continually renew, adapt and implement changes. The success of pilot projects in Ilford and Maidstone demonstrate how responsive consumers can be to this approach and the disproportionately large impact even quite minor changes can have.

Responsible Business

We continued our record of year-on-year energy improvements reducing our total consumption by more than 10% in 2017. Our expertise not only helps to reduce our environmental impact but also helps us lower our own costs and maintain a very competitive service charge for our retailer customers.

We have also stepped up the training of our operational teams to ensure they remain as prepared as possible for any potential threat. Our ‘go to critical plans’ were successfully implemented for periods during the year in response to national security concerns, with our centre teams working closely with local emergency services.

The award of an 11th consecutive Royal Society for the Prevention of Accidents (“ROSPA”) Gold award again underlines our focus on health and occupational safety standards across our shopping centres.

Community engagement remains at the heart of our business and our commitment was demonstrated through a number of initiatives during the year, including the launch of a new dedicated community hub at Maidstone as part of the pilot project.

Dividend

The Board is recommending a final dividend of 1.91 pence per share taking the full year dividend to 3.64 pence per share. This represents an increase of 7.4% over the 2016 full year dividend of 3.39 pence per share, in line with previous guidance. The dividend is comfortably covered by underlying earnings with a pay-out ratio of 88.8% compared to 88.7% in 2016. Our strategic asset management masterplans, now implemented across our portfolio following our successes at Ilford and Maidstone, underpin our objective of delivering annual dividend growth in a range of 5-8% over the medium-term.

People

I would like to thank all our staff for their hard work during what has been an exciting but challenging year for the business while managing the evolution in strategy. I would also like to congratulate the Snozone team who were awarded the Best Sporting Venue at the UK School Travel awards, beating Manchester United's museum and stadium tours, Twickenham Stadium, Wimbledon Lawn Tennis Association and the National Football Museum to this prestigious award.

Board

There have been a number of changes in the composition of the Board during the year, reflecting the significant amount of time the Board had devoted to ensuring a successful senior management succession plan was in place, in the previous 12 months. John Clare stepped down as chairman on 13 June 2017 after seven years on the Board. John played a key role in leading C&R through a series of changes that were transformational for the Group's prospects. Ken Ford stepped down as an executive director on 9 May 2017 and left the Group on 31 December 2017 after over 20 years of committed service. Ken was one of the founders of C&R and the architect of the Group's position as a leading owner of community shopping centres. I would like to thank both John and Ken on behalf of the Board for their contribution over many years.

We were very pleased to welcome Lawrence Hutchings to the Board as chief executive on 13 June 2017. Lawrence brings extensive retail property expertise from his time at Hammerson and, more recently, Blackstone in Australia. He has quickly made a very positive impact in terms of the repositioning of the business, facilitating in the process my transition to non-executive chairman.

Hugh Scott-Barrett
Chairman

Chief Executive's Statement

It is a pleasure to be writing this statement, my first as chief executive of C&R after taking up the role in June 2017. I would like to take this opportunity to thank our former CEO, Hugh Scott Barrett, for all his support and guidance during my transition into the role. Hugh's continued involvement as chairman is welcome from my perspective.

We have been busy delivering on our 2017 business plans, where we have seen strong momentum in income and leasing with our accretive Capex projects, and implementing our new strategy. This was launched successfully in December 2017 and is designed to ensure that we capitalise fully on the continued evolution in physical retailing.

We believe that our centres are well placed to take advantage of important and ongoing changes in how we live, work, socialise and access goods and services, be it through the physical, online or combined "omnichannel" platforms.

Our renewed focus on better tailoring and aligning our retail and services to the local communities we serve, coupled with ensuring that our centres are easier and more pleasurable to access and visit, will deliver continued income growth through improved footfall, sales, tenant demand and rents.

The success of the pilot projects completed in Q4 last year reinforces our confidence in our ability to redefine the community shopping centre in the UK, through our asset management masterplans which are fundamental to our ability to continue delivering underlying recurring income growth.

Income growth continues to deliver performance

Net rental income within the wholly-owned portfolio grew 2.4% from £50.4 million to £51.6 million, or 1.9% on a like for like basis. Delivery of our capital expenditure ("Capex") programme, which includes unlocking the potential of the former BHS stores, saw the Group invest £17.5 million of Capex during the year which helped drive income growth, and included:

- Travelodge at Wood Green - £6.4 million total project spend (£4.2 million in 2017);
- Conversion of the former BHS unit at Walthamstow into units for Lidl, The Gym and further leisure and retail space - £4.3 million total project investment (£3.9 million in 2017);
- A new Wilko store in Blackburn formed from the former BHS - £1.0 million total project spend all of which was undertaken in the year under review.

With average rents currently at c.£15 psf, we will see further growth in income as the repositioning Capex is deployed during 2018 and 2019 to improve the productivity of our floor space while maintaining the rental affordability that makes our centres so attractive to retailers. We continue to adopt a conservative approach in assessing the return from our Capex projects and in the majority of cases exclude any "halo" impact across other parts of the centres from the works. These often involve new anchor retailers and significant changes to customer proposition which further increase the appeal of the centres to their communities.

Cost management and operating efficiencies

This focus on income is supported by a renewed approach to cost management as announced at our half year results. We are targeting efficiency savings of at least £1.8 million from our central cost base by the end of 2018, representing a saving of approximately 20% of the total 2016 central overhead. Pleasingly we have delivered over 60% of these savings as of year-end, with the balance in varying stages of realisation. We believe that there are further efficiencies in our overhead as the operational restructuring is implemented and with decentralisation empowering the centre teams.

Leasing demand supports our strategy

Leasing activity has continued apace in 2017, with 79 new leases and renewals and 32 rent reviews together totalling £9.6 million in annual income underlining demand for our centres from non-discretionary and value orientated retailers, service providers, hotels, cinemas, supermarkets and food catering. Importantly, our new leasing and renewals were completed at an average spread of 10.3%[1] over previous passing rent and 8.4%[1] over valuation ERVs. Occupancy improved to 97.3% from 95.4% at December 2016.

Chief Executive's Statement

Asset recycling

We remain committed to recycling where we believe that we have optimised the asset through active repositioning and are able to generate more accretive returns from either new acquisitions or additional capital investment in the rest of the portfolio.

As planned the pace of asset recycling was slower in the second half of the year, after the successful sales of Camberley in late 2016 and the Buttermarket in Ipswich in February 2017. The proceeds of these sales supported the acquisition of The Marlowes, Hemel Hempstead in early 2016 and the Exchange, Ilford in March 2017.

We believe that there will be increased potential for investment opportunities and that pricing may become more attractive to acquire assets as the importance of active, income driven, strategic, long term management becomes more critical to the success of our type of assets. Our internal management structure and dedicated team of retail professionals provide us with a real competitive advantage, allowing us to unlock income growth from well-located community shopping centres that meet our criteria.

Balance sheet strength

The Group continues to benefit from the balance sheet restructuring and refinancing undertaken in January 2017, which covers five of the Group's seven wholly-owned centres, as well as the subsequent new debt facility for Ilford and the renewal of the Group's Revolving Credit Facility. The Group's all-in cost of debt is now just 3.25%, allowing us to benefit from historically low interest rates, which have subsequently increased. It also provides us with the stability of a 6.7 year term increasing to 7.3 if all options are exercised.

Our capital expenditure programme is unique amongst our peers in that it comprises a majority of smaller projects, which are often capable of being completed within a 12-18 month period. This provides us with maximum flexibility to dynamically manage the balance sheet to react quickly to changes in market conditions and to new opportunities.

Outlook

While retailing continues to evolve and is undoubtedly facing cyclical and structural headwinds we have full confidence that our repositioning programme and rebased affordable occupancy costs will continue to allow our retailer customers to trade profitably in high footfall locations that are the engine room for their profits.

Our weighting to the London and Greater London economy, with its strong population growth and density, is creating demand from non-retail uses including residential, hotel and leisure with on flow benefits to our core retail business and customers. We are committed to maximising the value of the Group's assets through strategic asset master plans and delivering on behalf of our shareholders.

We are steadfast in our endeavours to improve the lives of the communities that we serve, through providing best in class environments for retail goods, leisure services, social interaction and facilitating click and collect fulfilment. In short we believe that the intersection of where product and services meet people remains very important.

The Board has announced a 7.4% increase in total dividend for 2017 and, while fully aware that recent occupier failures present some challenges to short term results, believes that both the momentum we have carried through into 2018 and our strategic asset management masterplans, now established across our entire portfolio following the initial results seen at Ilford and Maidstone, underpin our objective of delivering annual dividend growth in a range of 5% and 8% over the medium-term.

Lawrence Hutchings

Chief Executive

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

Operating review

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

New lettings, renewals and rent reviews

There were 79 new lettings and renewals in the period at a combined average premium of 10.3%[1] to previous passing rent and an 8.4%[1] premium to ERV.

	Year ended 30 December 2017
New Lettings	
Number of new lettings	47
Rent from new lettings (£m)	£2.7m
Comparison to ERV[1] (%)	+8.7%
Renewals settled	
Renewals settled	32
Revised rent (£m)	£1.7m
Comparison to ERV[1] (%)	+8.1%
Combined new lettings and renewals	
Comparison to previous rent[1]	+10.3%
Comparison to ERV[1]	+8.4%
Rent reviews	
Reviews settled	32
Revised passing rent (£m)	£5.2m
Uplift to previous rent (%)	+1.2%

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

Highlights of letting activity across the portfolio in 2017 include:

At Walthamstow, lettings were made to Smiggle, Gökyüzü Turkish restaurant and Lidl, which opened very successfully just after the year end, in January 2018. At Wood Green, new lettings were completed to River Island, Blue Inc, Five Guys and Pak cosmetics, while Aldo and Superdrug renewed.

At Blackburn, Specsavers took a new unit and River Island, Scotts, Superdrug, The Perfume Shop and Thorntons renewed. Genus and Superdrug took new leases at Maidstone and Card Factory signed a five year term at Ilford. At Luton, Kiko and Scotts opened new units from a split of the former USC unit, while KFC took a 10 year lease in the new food court and FootLocker renewed for a further five year term.

The outperformance of new lettings and renewals versus ERV demonstrates the continued affordability and attractiveness of our schemes and this evidence will be supportive of rental tones in the future.

Since 30 December 2017, the positive letting momentum has continued with 19 new lettings and renewals in the first two months of the year. This includes new lettings to Smiggle at Blackburn and 3G at Walthamstow, together with the leasing of four floors of a vacant office block in Luton, where £5 million of refurbishment expenditure will deliver an income return in excess of 9%.

Operating review

Delivery of specialist asset management initiatives

During 2017 we invested £17.5 million of capital expenditure. A number of major projects were concluded over the period including:

- At Wood Green the new 78 bedroom Travelodge opened in October 2017 following a £6.4 million investment project with early trading very encouraging.
- At Walthamstow, Lidl and The Gym both launched successfully around the turn of 2018. Gökyüzü, a new Turkish restaurant for a local operator which has traded very successfully at our Wood Green centre for a number of years, opened in February 2018 and two further retail units totalling 5,000 sq ft have also been created. All of the above have been formed out of the former BHS store.
- At Blackburn, Wilko opened in September 2017 at the refurbished former BHS unit. Sports Direct also continues to trade from the unit, now via a direct lease.

The above units will deliver a combined annual rent of £1.6 million from a total Capex spend of approximately £12 million. 2018 NRI will benefit by approximately £0.8 million from the full year impact of these lettings.

In December 2017 we received a resolution to grant planning consent subject to satisfactory s106 agreement for the proposed extension at Walthamstow. Our plans include the addition of 80,000 sq ft of new retail and leisure space and approximately 500 new homes, as well as improved public spaces and community facilities. A development agreement is in place with the London Borough of Waltham Forest and we anticipate progressing to full planning consent in the first half of 2018.

In Hemel Hempstead we received planning consent in October 2017 for our transformational plans to create a leisure hub with up to six new restaurant units, anchored by a cinema for which terms have been agreed with a leading operator. Work is well advanced on renewing the atrium roof, the cost of which is being met by the previous owner.

Future Capex plans

As part of our strategic asset masterplans we have reviewed our planned Capex investment and assessed additional opportunities across our portfolio. In total we have identified more than 50 individual projects totalling over £100 million which we believe will deliver in aggregate an income return of at least 9%.

We expect to deploy Capex at a typical rate of approximately £15-25 million per annum. The depth of opportunities across the portfolio enables us to focus investment on those with the strongest impact and thereby provides flexibility, allowing us to respond dynamically to any changes in occupier demand or further evolution of shopper dynamics. Key projects in 2018 include the new office letting at Luton, the leisure hub at Hemel Hempstead and further improvement of the family zone in Ilford.

Rental income and occupancy

	30 December 2017	30 December 2016
Contracted rent (£m)	**64.1**	55.8
Passing rent (£m)	**61.0**	53.0
Occupancy (%)	**97.3**	95.4

The increase in contracted and passing rent reflects the acquisition of the Exchange Centre, Ilford in March 2017 and like-for-like growth of 3.1% and 3.0% respectively. At 30 December 2017 there was £3.1 million of contracted rent where the tenant is in a rent free period, of which £3.0 million will convert to passing rent in 2018. The strong letting activity during the year has resulted in an improvement in occupancy to 97.3% at the year end.

Operating review

Insolvencies

	Year ended December 2017	Year ended December 2016[1]
Insolvencies (units)	**15**	18
Passing rent of insolvencies (£m)	**0.7**	2.4

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

The number of insolvencies in 2017 was similar to 2016, but the value was much reduced owing to the impact of BHS last year. The most significant insolvency was Blue Inc, involving five units with a total rent of £0.3 million. As at 30 December 2017 five of the 15 units affected by insolvency had been re-let and eight were continuing to trade as usual.

In the year to date in 2018 there have been three national occupier insolvencies or restructurings that impact upon the portfolio. Based on information available to date it is expected that their combined impact on 2018 Adjusted Profit will be approximately £0.7 million.

Operational performance

There were 76 million visits to our centres during 2017. For the second half of 2017, our seven wholly-owned shopping centres achieved a 0.5%[1] increase in footfall compared to a National Index figure of -2.9%. Footfall for the year as a whole increased by 0.1%[1], again significantly ahead of the National Index which showed a decline of 2.8%.

In the second half of 2017, we undertook repositioning pilot projects at Maidstone and Ilford and these two assets recorded particularly strong performances, with Maidstone increasing by 2% in the fourth quarter of 2017, versus 2016, and Ilford increasing by 5.5%.

The positive momentum has continued into the start of 2018 with footfall for the wholly-owned portfolio up 3.1% in the two months to the end of February 2018, compared to the National Index which was -2.9%.

Car park usage has been stable and car park income was £10.2 million, an increase of 7.2% on a like-for-like basis. Our Collect+ service continues to expand with in excess of 42,000 packages handled in the year, an increase of 24% year-on-year.

[1] Excluding entrances impacted by development work.

Other assets and operations

The Kingfisher Centre, Redditch (C&R ownership 20%, net investment of £7.4 million at 30 December 2017)

The Range successfully opened in July 2017 in the former BHS unit. Other significant lettings during the year included Smiggle, HMV and Trespass, although the scheme was impacted by the insolvency of Linens Direct as well as the closure of Argos. The property was valued at £142.9 million at 30 December 2017, reflecting a net initial yield of 6.75%.

Snozone

Snozone enjoyed another strong trading year with revenue increasing 2% to £10.4 million (2016: £10.2 million) and profit up 10% to just over £1.5 million (2016: £1.4 million).

During 2017 Snozone won Best Sporting Venue at the UK School Travel awards, beating Manchester United's museum and stadium tours, Twickenham Stadium, Wimbledon Lawn Tennis Association and the National Football Museum to this prestigious award.

In September 2017, Snozone purchased the former 'Skiplex' business at Basingstoke for less than £0.1 million, comprising two indoor slopes inside the iFLY indoor skydiving centre. Rebranded as 'Skizone' this gives Snozone a foothold south of the M25 from which to grow its data base and auxiliary revenue, as well as creating a hub from which to open similar sized businesses across the south, should opportunities present themselves.

Financial review

	2017	2016	Change
Profitability			
Net Rental Income[1]	**£51.6m**	£50.4m	+2.4%
Adjusted Profit[2]	**£29.1m**	£26.8m	+8.6%
Adjusted Earnings per share	**4.10p**	3.82p	+7.3%
IFRS Profit/(Loss) for the period	**£22.4m**	£(4.4)m	
EPRA cost ratio (excluding vacancy costs)	**25.9%**	27.4%	-150bps
Net Administrative Expenses to Gross Rent	**12.7%**	13.6%	-90bps
Investment returns			
Net Asset Value (NAV) per share	**67p**	68p	-1p
EPRA NAV per share	**67p**	68p	-1p
Dividend per share	**3.64p**	3.39p	+7.4%
Dividend pay-out	**88.8%**	88.7%	
Return on equity	**4.7%**	(0.9)%	
Financing[3]			
Group net debt	**£404.0m**	£398.1m	+£5.9m
Group net debt to property value	**46%**	46%	-
Average debt maturity[4]	**7.3 years**	8.0 years	-0.7 years
Cost of debt[5]	**3.25%**	3.25%	-

1 Wholly-owned assets.

2 Adjusted Profit is as defined in the Glossary and Note 1 to the Financial Statements. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the Financial Statements.

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

4 Assuming exercise of all extension options.

5 Assuming all loans fully drawn.

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

Use of Alternative Performance Measures (APMs)

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

Alternative performance measure used	Rationale
Like-for-like amounts	Like-for-like amounts are presented as they measure operating performance as distinct from the impact of acquisitions or disposals. In respect of property, the like-for-like measures, unless otherwise stated, relate to property which has been owned throughout both periods so that income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous period end but not throughout the prior period.
Adjusted Profit	Adjusted Profit is presented as it is considered by Management to provide the best indication of the extent to which dividend payments are supported by underlying profits. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments, non-cash charges in respect of share-based payments and exceptional one-off items. The key differences from EPRA earnings, an industry standard comparable measure, relates to the exclusion of non-cash charges in respect of share-based payments and adjustments in respect of exceptional items where EPRA is prescriptive. A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 5 to the financial statements.

Financial review

Profitability

Components of Adjusted Profit and reconciliation to IFRS Profit

Amounts in £m		**Year to 30 December 2017**		Year to 30 December 2016
Net rental income				
Wholly-owned assets (see analysis on next page)		**51.6**		**50.4**
Kingfisher, Redditch[1]		**1.6**		**1.7**
Buttermarket, Ipswich[2]		**-**		**0.5**
		53.2		**52.6**
Net interest		**(19.6)**		**(20.3)**
Snozone profit (indoor ski operation)		**1.5**		**1.4**
Central operating costs net of external fees		**(5.9)**		**(6.9)**
Tax charge		**(0.1)**		**-**
Adjusted Profit		**29.1**		**26.8**
Adjusted Earnings per share (pence)[3]	**4.10p**		3.82p	
Reconciliation of Adjusted Profit to statutory result				
Adjusted Profit		**29.1**		**26.8**
Property revaluation (including Deferred Tax)		(6.3)		(14.5)
Loss on disposals		-		(2.6)
Gain/(Loss) on financial instruments		1.1		(2.5)
Refinancing costs		(0.5)		(11.0)
Other items[4]		(1.0)		(0.6)
IFRS Profit/(loss) for the period		**22.4**		**(4.4)**

[1] See note 7d to the Financial Statements.
[2] See note 7e to the Financial Statements.
[3] EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the Financial Statements.
[4] Includes £0.9 million for the non-cash accounting charge in respect of share-based payments (2016: £0.5 million)

Adjusted Profit and Adjusted Earnings per share showed strong increases of 8.6% and 7.3% respectively, reflecting growth in NRI (see breakdown below), lower interest costs following the refinancing of the Mall assets and a £1.0 million reduction in net central operating costs, reflecting the benefit of completed and ongoing cost initiatives. Gross central costs fell from £9.6 million in 2016 to £8.4 million in 2017, a reduction of £1.2 million. A further reduction of at least a further £0.6 million of costs per annum is targeted for 2018.

Wholly-owned assets Net rental income

Amounts in £m	**Year to 30 December 2017**	Year to 30 December 2016	
Like for like (Blackburn, Luton, Maidstone, Walthamstow, Wood Green)	43.5	42.7	+1.9%
Hemel Hempstead – acquired February/March 2016	3.7	3.5	
Camberley (sold November 2016) and other disposals	-	4.2	
Ilford – acquired 8 March 2017	4.4	-	
Net rental income (NRI)	**51.6**	**50.4**	**+2.4%**

Financial review

Net Asset Value

NAV at £481.4 million and EPRA NAV at £482.6 million increased marginally (December 2016: £477.6 million and £481.5 million respectively) with retained profit offsetting the small fall in valuations net of Capex (see below). On a per share basis Basic NAV and EPRA NAV fell by 1p to 67p due to a slightly higher number of shares in issue as a result of the Scrip dividend and vesting of the Company's Long Term Incentive Plan.

Property portfolio valuation

Property at independent valuation	**30 December 2017**		30 December 2016	
	£m	**NIY %**	£m	NIY %
Blackburn	**121.3**	**6.65%**	124.1	6.53%
Hemel Hempstead	**54.0**	**6.88%**	54.6	7.07%
Ilford[1]	**82.4**	**6.54%**	78.0	6.70%
Luton	**214.0**	**6.35%**	207.0	6.35%
Maidstone	**76.0**	**6.70%**	80.0	6.78%
Walthamstow	**107.7**	**5.25%**	103.3	5.25%
Wood Green	**231.2**	**5.25%**	225.1	5.25%
Wholly-owned portfolio	**886.6**	**6.06%**	872.1	6.08%

[1] Ilford at acquisition price on 8 March 2017.

The valuation of the wholly-owned portfolio at 30 December 2017 was £886.6 million, reflecting a net initial yield of 6.06%.

This is marginally below the 30 December 2016 valuation of £794.1 million after allowing for capital expenditure in the period of £17.5 million and the £78.0 million acquisition of The Exchange Centre, Ilford in March 2017 (excluding acquisition costs of c £1.0 million). Yields on the Group's London and South East assets proved resilient and were largely unchanged over the period, with the decline in Maidstone reflecting the unlet BHS unit. Blackburn saw a small fall in valuation due to outward market yield shift partially offset by an increase in valued income.

Financial review

Financing

Net interest

Amounts in £m	**Year to 30 December 2017**	Year to 30 December 2016
Wholly-owned assets		
Net Interest on loans	**14.0**	14.0
Amortisation of refinancing costs	**1.0**	1.4
Notional interest charge on head leases[1]	**3.4**	3.6
	18.4	19.0
Kingfisher, Redditch (Group share)	**0.9**	0.8
Buttermarket, Ipswich (Group share)	**-**	0.1
Central	**0.3**	0.4
Net Group interest	**19.6**	20.3

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

The decrease in interest reflects the lower interest cost and amortisation charge following the refinancing of the Mall assets that completed on 4 January 2017 and the acquisition of Ilford in March 2017.

Group debt

	Debt[1]	Cash[2]	**Net debt**	Loan to value[3]	Net debt to value[3]	Average interest rate	Fixed	Duration to loan expiry	Duration with extensions
30 December 2017	**£m**	£m	**£m**	%	%	%	%	Years	Years
Four Mall assets	**255.0**	(8.4)	**246.6**	48%	46%	3.36	100	7.6	8.6
Luton	**107.5**	(5.8)	**101.7**	50%	48%	3.14	100	6.0	6.0
Hemel Hempstead	**26.9**	(1.1)	**25.8**	50%	48%	3.32	100	4.1	5.1
Ilford	**39.0**	(2.4)	**36.6**	47%	44%	2.76	100	6.2	6.2
Group RCF	**-**	(6.7)	**(6.7)**	-	-	3.40	-	4.1	4.1
On balance sheet debt	**428.4**	(24.4)	**404.0**	48%	46%	3.25	94	6.7	7.3

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

The refinancing activity completed in the early part of 2017 has delivered an attractive funding cost of 3.25% that is fixed and secured over a weighted average 6.7 year maturity, extending to 7.3 years if all extensions are exercised. Our target range for net debt to property value remains 40%-50% with an intention to reduce it to the lower end of that range in the medium-term.

Covenants

The Group was compliant with its banking and debt covenants at 30 December 2017 and throughout the year. Further details are disclosed in the 'covenant information' section at the end of this report.

Going Concern

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

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

The Group's risks and risk management processes are set out on the following pages.

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

Financial review

South African secondary listing

The Company maintains a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 December 2017, 60,477,452 of the Company's shares were held on the JSE register representing 8.4% of the total shares in issue.

Dividend

The Board is proposing a final dividend of 1.91 pence per share, taking the full-year dividend to 3.64 pence per share, representing a 7.4% increase from 2016. The Board has re-affirmed its guidance that the Company will target year on year dividend growth in the range of 5% to 8% per annum over the medium-term.

The key dates proposed in relation to the payment of the 2017 final dividend are:

- Confirmation of ZAR equivalent dividend and PID percentage 10 April 2018
- Last day to trade on Johannesburg Stock Exchange (JSE) 17 April 2018
- Shares trade ex-dividend on the JSE 18 April 2018
- Shares trade ex-dividend on the London Stock Exchange (LSE) 19 April 2018
- Record date for LSE and JSE 20 April 2018
- Annual General Meeting 9 May 2018
- Dividend payment date 16 May 2018

The amount to be paid as a PID will be confirmed in the announcement on 10 April 2018. If a Scrip dividend alternative is offered, subject to the requisite regulatory approvals, the deadline for submission of valid election forms will be 20 April 2018. South African shareholders are advised that the final dividend will be regarded as a foreign dividend. Further details relating to Withholding Tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on 10 April 2018. Share certificates on the South African register may not be dematerialised or rematerialised between 18 April 2018 and 20 April 2018, both dates inclusive. Transfers between the UK and South African registers may not take place between 10 April 2018 and 20 April 2018, both dates inclusive.

Charles Staveley
Group Finance Director

Managing Risk

Risk management process

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

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

This risk matrix is also used in performing our annual assessment of the material financial, operational and compliance controls that mitigate the key risks identified. Each control is assessed or tested for evidence of its effectiveness. The review concluded that all such material controls were operating effectively during 2017.

Principal risks at 30 December 2017

Following the risk reviews carried out at 30 June 2017 and 30 December 2017, one further risk has been added to the list of principal Group risks to the list disclosed in the 2016 Annual Report, being Reputational Risk. Reputational Risk is defined as the potential impact on the Group's reputation from adverse events or publicity, and has been added reflecting a general business environment in which corporates are under increasing and magnified focus from both mainstream and social media.

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

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

Risk	Impact	Mitigation
Property risks		
Property investment market risks		
• Weakening economic conditions and poor sentiment in commercial real estate markets could lead to low investor demand and an adverse movement in valuation	• Small changes in property market yields can have a significant effect on valuation • Impact of leverage could magnify the effect on the Group's net assets	• Monitoring of indicators of market direction and forward planning of investment decisions • Review of debt levels and consideration of strategies to reduce if relevant
Impact of the economic environment		
• Tenant insolvency or distress • Prolonged downturn in tenant demand and pressure on rent levels	• Tenant failures and reduced tenant demand could adversely affect rental income, lease incentive, void costs, cash and ultimately property valuation	• Large, diversified tenant base • Review of tenant covenants before new leases signed • Long-term leases and active credit control process • Good relationships with, and active management of, tenants • Void management though temporary lettings and other mitigation strategies
Valuation risk		
• Lack of relevant transactional evidence	• Property valuations increasingly subjective and open to a wider range of possible outcomes	• Use of experienced, external valuers who understand the specific properties • Use of more than one valuer • Valuations reviewed by internal valuation experts and key assumptions challenged
Threat from the internet		
• The trend towards online shopping may adversely impact consumer footfall in shopping centres	• A change in consumer shopping habits towards online purchasing and delivery may reduce footfall and therefore potentially reduce tenant demand and the levels of rents which can be achieved	• Strong location and dominance of shopping centres (portfolio is weighted to London and South East England) • Strength of the community shopping experience with tailored relevance to the local community • Concentration on convenience and value offer which is less impacted by online presence • Increasing provision of 'Click & Collect' within our centres • Digital marketing initiatives • Monitoring of footfall for evidence of negative trends • Monitoring of retail trends and shopping behaviour
Concentration and scale risk		
• By having a less diversified portfolio the business is more exposed to specific tenants or types of tenant	• Tenant failures could have a greater impact on rental income • Reduced purchasing power could impact the ability to drive economies of scale and the feasibility of certain investment decisions regarding the operating platform	• Regular monitoring of retail environment and performance of key tenants • Maintaining flexibility in operating platform • Further diversification considered through acquisitions or joint ventures

Risk	Impact	Mitigation
Competition risk		
• The threat to the Group's property assets of competing in town and out of town retail and leisure schemes	• Competing schemes may reduce footfall and reduce tenant demand for space and the levels of rents which can be achieved	• Monitoring of new planning proposals • Close relationships with local councils and willingness to support town centres • Continued investment in schemes to ensure relevance to the local community • Investment in traditional and digital marketing
Business disruption from a major incident		
• Major incident takes place	• Financial loss if unable to trade or impacts upon shopper footfall	• Trained operational personnel at all sites and documented major incident procedures • Updated operational procedures reflecting current threats and major incident testing run • Regular liaison with the police • Key IT applications hosted offsite • Insurance maintained
Development risk		
• Delays or other issues may occur to capital expenditure and development projects	• May lead to increased cost and reputational damage • Planned value may not be realised	• Approval process for new developments and staged execution to key milestones • Use of experienced project co-ordinators and external consultants with regular monitoring and Executive Committee oversight
Funding and treasury risks		
Liquidity and funding		
• Inability to fund the business or to refinance existing debt on economic terms when needed	• Inability to meet financial obligations when due • Limitation on financial and operational flexibility • Cost of financing could be prohibitive	• Refinancing of debt on the Mall assets in early 2017 improved liquidity and long-term security • Ensuring that there are significant undrawn facilities • Efficient treasury management and forecasting with regular reporting to the Board • Option of asset sales if necessary
Covenant compliance risks		
• Breach of any loan covenants causing default on debt and possible accelerated maturity	• Unremedied breaches can trigger demand for immediate repayment of loan	• Regular monitoring and projections of liquidity, gearing and covenant compliance • Review of future cash flows and predicted valuations to ensure sufficient headroom
Interest rate exposure risks		
• Exposure to rising or falling interest rates	• If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken • Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences	• Regular monitoring of the performance of derivative contracts and corrective action taken where necessary • Use of alternative hedges such as caps

Risk	Impact	Mitigation
Other risks		
Execution of business plan		
• Failure to execute business plan in line with internal and external expectations	• Potential loss of income or value resulting in lower cash flow and property valuation • Reputational damage negatively impacting investor market perception	• Management of projects and the individual shopping centres by experienced and skilled professionals • Strong relationships with retailers and contractors/suppliers • Ongoing monitoring of performance against plan and key milestones
Property acquisition/disposal strategy		
• Exposure to risks around overpayment for acquisitions • Portfolio not effectively managed through the investment cycle, with sales and de-leveraging at the appropriate time	• Overpayment may result in acquisitions not delivering forecast returns • The Group may not be able to take advantage of investment opportunities as they arise • Covenants may move adversely when cycle changes	• Regular monitoring of the property market and the use of professional advisers • Impact of cycle reflected in business planning
Reputational risk		
• Adverse events or publicity, including social media, may lead to reputational damage	• Negatively impact investor market perception • May reduce shopper footfall and demand from tenants for space	• Close Board/Management oversight of major issues and decision making • Effective pre-planning of announcements and applications • Monitoring of public opinion through focus groups and review of press and social media • Use of PR advisers and Media training for Management
Tax risks		
• Exposure to non-compliance with the REIT regime and changes in the form or interpretation of tax legislation • Potential exposure to tax liabilities in respect of historic transactions undertaken	• Tax related liabilities and other losses could arise	• Monitoring of REIT compliance • Expert advice taken on tax positions and other regulations • Maintenance of a regular dialogue with the tax authorities
Regulation risks		
• Exposure to changes in existing or forthcoming property or corporate regulation	• Failure to comply could result in financial penalties, loss of business or credibility	• Training to keep Management aware of regulatory changes • Expert advice taken on complex regulatory matters
Loss of key management		
• Dependence of the business on the skills of a small number of key individuals	• Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce effectiveness	• Key management are paid market salaries and competitive incentive packages • New LTIP awards made in 2017 • Succession planning for key positions is undertaken as evidenced by CEO transition in 2017
Historic transactions		
• Historic sales have included vendor warranties and indemnities and as such, the Group has potential exposure to future claims from the purchaser	• Warranty and indemnity related liabilities and other losses could arise	• Use of professional advisers to achieve properly negotiated agreements in terms of scope, extent of financial liability and timeframe • Monitoring of ongoing exposure

Unaudited preliminary consolidated income statement

For the year to 30 December 2017

	Note	**2017** **£m**	2016 £m
Revenue	3	**89.2**	87.2
Cost of sales		**(33.5)**	(32.5)
Gross profit		**55.7**	54.7
Administrative costs		**(10.2)**	(10.9)
Share of (loss)/profit in associates and joint ventures	7a	**(2.0)**	0.3
Loss on revaluation of investment properties		**(3.8)**	(14.2)
Other gains and losses		**0.3**	(1.8)
Profit on ordinary activities before financing		**40.0**	28.1
Finance income		**1.2**	0.4
Finance costs		**(18.8)**	(33.0)
Profit/(loss) before tax		**22.4**	(4.5)
Tax credit	4a	**-**	0.1
Profit/(loss) for the year	2a	**22.4**	(4.4)

All results derive from continuing operations.

	Note	**2017**	2016
Basic earnings per share	5a	**3.2p**	(0.6)p
Diluted earnings per share	5a	**3.1p**	(0.6)p
EPRA basic earnings per share	5a	**3.9p**	3.7p
EPRA diluted earnings per share	5a	**3.9p**	3.7p

Unaudited preliminary consolidated statement of comprehensive income

For the year to 30 December 2017

	2017 **£m**	2016 £m
Profit/(loss) for the year	**22.4**	(4.4)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**-**	-
Gain on a hedge of a net investment taken to equity	**-**	-
Total items that that may be reclassified subsequently to profit or loss:	**-**	-
Total comprehensive income for the year	**22.4**	(4.4)

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

Profit for the year and total comprehensive income is all attributable to equity holders of the parent.

The EPRA measures used throughout this report are industry best practice performance measures established by the European Public Real Estate Association. They are defined in the Glossary to the Financial Statements. EPRA Earnings and EPRA EPS are shown in Note 5 to the Financial Statements. EPRA net assets and EPRA triple net assets are shown in Note 11 to the Financial Statements.

Unaudited preliminary consolidated balance sheet
At 30 December 2017

	Note	2017 £m	2016 £m
Non-current assets			
Investment properties	6	**930.6**	838.5
Plant and equipment		**1.8**	0.9
Fixed asset investments		**2.1**	1.9
Receivables		**14.2**	14.3
Investment in associates	7b	**7.4**	13.9
Total non-current assets		**956.1**	869.5
Current assets			
Receivables		**21.6**	13.4
Cash and cash equivalents	8	**30.2**	49.1
Assets classified as held for sale	7c	**-**	13.9
Total current assets		**51.8**	76.4
Total assets	2b	**1,007.9**	945.9
Current liabilities			
Bank loans	9	**-**	(334.6)
Trade and other payables		**(39.0)**	(41.3)
Liabilities directly associated with assets held for sale	7c	**-**	(0.4)
		(39.0)	(376.3)
Net current assets/(liabilities)		**12.8**	(299.9)
Non-current liabilities			
Bank loans	9	**(422.2)**	(26.2)
Other payables		**(4.0)**	(4.4)
Obligations under finance leases		**(61.3)**	(61.4)
Total non-current liabilities		**(487.5)**	(92.0)
Total liabilities	2b	**(526.5)**	(468.3)
Net assets		**481.4**	477.6
Equity			
Share capital		**7.2**	7.0
Share premium		**163.3**	158.2
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Own shares reserve		**(0.1)**	(0.4)
Retained earnings		**246.3**	248.1
Equity shareholders’ funds		**481.4**	477.6
Basic net assets per share	11	**£0.67**	£0.68
EPRA triple net assets per share	11	**£0.66**	£0.67
EPRA net assets per share	11	**£0.67**	£0.68

Unaudited preliminary consolidated statement of changes in equity

For the year to 30 December 2017

	Share capital £m	Share premium[1] £m	Merger reserve[2] £m	Capital redemption reserve[1] £m	Own shares reserve[3] £m	Retained earnings[4] £m	Total equity £m
Balance at 30 December 2015	**7.0**	**157.2**	**60.3**	**4.4**	**(0.6)**	**274.9**	**503.2**
Loss for the year	-	-	-	-	-	(4.4)	(4.4)
Other comprehensive loss for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(4.4)**	**(4.4)**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Dividends paid (Note 13), net of Scrip	-	-	-	-	-	(21.7)	(21.7)
Shares issued, net of costs	-	1.0	-	-	-	(1.0)	-
Other movements	-	-	-	-	0.2	(0.2)	-
Balance at 30 December 2016	**7.0**	**158.2**	**60.3**	**4.4**	**(0.4)**	**248.1**	**477.6**
Profit for the year	-	-	-	-	-	22.4	22.4
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	**-**	**22.4**	**22.4**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.9	0.9
Dividends paid (Note 13), net of Scrip	-	-	-	-	-	(19.5)	(19.5)
Shares issued, net of costs	0.2	5.1	-	-	-	(5.3)	-
Other movements	-	-	-	-	0.3	(0.3)	-
Balance at 30 December 2017	**7.2**	**163.3**	**60.3**	**4.4**	**(0.1)**	**246.3**	**481.4**

Notes:

1 These reserves are not distributable.

2 The merger reserve of £60.3 million arose on the Group's capital raising in 2009 which was structured so as to allow the Company to claim merger relief under section 612 of the Companies Act 2006 on the issue of Ordinary shares. The merger reserve is available for distribution to shareholders.

3 Own shares relate to shares purchased out of distributable profits and therefore reduce reserves available for distribution.

4 The Company has determined what is realised and unrealised in accordance with the guidance provided by ICAEW TECH 2/17 and the requirements of UK law. In accordance with UK Companies Act 2006 s831(2), a public company may make a distribution only if, after giving effect to such distribution, the amount of its net assets is not less than the aggregate of its called up share capital and non-distributable reserves as shown in the relevant accounts.

Unaudited preliminary consolidated cash flow statement

For the year to 30 December 2017

	Note	**2017**	2016
		£m	£m
Operating activities			
Net cash from operations	10	**43.0**	41.1
Distributions received from associates	7b	**4.5**	0.5
Distributions received from fixed asset investments Including German B-note		**0.7**	4.2
Interest paid		**(14.6)**	(14.6)
Interest received		**0.1**	0.1
Cash flows from operating activities		**33.7**	31.3
Investing activities			
Acquisition of The Exchange, Ilford		**(79.0)**	-
Disposal of The Mall, Camberley		**-**	85.7
Disposal of Buttermarket, Ipswich	7c	**9.8**	-
Other disposals		**-**	0.7
Acquisitions in Hemel Hempstead		**-**	(56.6)
Purchase of plant and equipment		**(0.6)**	(0.5)
Capital expenditure on investment properties		**(16.9)**	(20.6)
Cash flows from investing activities		**(86.7)**	8.7
Financing activities			
Dividends paid net of Scrip		**(19.1)**	(21.7)
Bank loans drawn down		**401.5**	26.9
Bank loans repaid		**(334.6)**	(45.4)
Loan arrangement costs		**(13.7)**	(0.6)
Cash flows from financing activities		**34.1**	(40.8)
Net (decrease)/increase in cash and cash equivalents		**(18.9)**	(0.8)
Cash and cash equivalents at the beginning of the year		**49.1**	49.9
Cash and cash equivalents at the end of the year	8	**30.2**	49.1

1 Significant Accounting Policies

General information
Capital & Regional plc is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The financial information set out in the announcement does not constitute the Company's statutory financial statements for the years ended 30 December 2017 or 2016. The financial information for the year ended 30 December 2016 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 30 December 2017 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

Basis of accounting
These unaudited preliminary consolidated annual financial statements of Capital & Regional plc are prepared in accordance with IFRSs as adopted by the European Union.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in March 2018.

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

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

Operating segments
The Group's reportable segments under IFRS 8 are Wholly-owned assets, Other UK Shopping Centres, Snozone and Group/Central. Wholly-owned assets consists of the shopping centres at Blackburn, Hemel Hempstead, Ilford (from acquisition on 8 March 2017), Luton, Maidstone, Walthamstow and Wood Green and, in the prior year, Camberley, until its disposal on 11 November 2016. Other UK Shopping Centres consists of the Group's interests in Kingfisher Limited Partnership (Redditch) and, in the prior year, until its reclassification as held for sale on 30 December 2016, Buttermarket Ipswich Limited. Group/Central includes management fee income, Group overheads incurred by Capital & Regional Property Management, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

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

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

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

A reconciliation of Adjusted Profit to the statutory result is provided in Note 2a and, on a per share basis, in Note 5, where EPRA earnings figures are also provided.

2a Operating segments

		UK Shopping Centres				
		Wholly-owned assets	Other UK Shopping Centres[1]	Snozone	Group/ Central	**Total**
Year to 30 December 2017	Note	£m	£m	£m	£m	**£m**
Rental income from external sources	2b	63.9	2.3	-	-	**66.2**
Property and void costs		(12.3)	(0.7)	-	-	**(13.0)**
Net rental income		51.6	1.6	-	-	**53.2**
Net interest expense		(18.4)	(0.9)	-	(0.3)	**(19.6)**
Snozone income/Management fees[2]	2b	-	-	10.4	2.2	**12.6**
Management expenses		-	-	(8.8)	(6.8)	**(15.6)**
Investment income		-	-	-	0.4	**0.4**
Depreciation		-	-	(0.1)	(0.1)	**(0.2)**
Variable overhead (excluding non-cash items)		-	-	-	(1.6)	**(1.6)**
Tax charge		-	(0.1)	-	-	**(0.1)**
Adjusted Profit		33.2	0.6	1.5	(6.2)	**29.1**
Revaluation of properties		(3.8)	(2.5)	-	-	**(6.3)**
Income from Euro B Note[3]		-	-	-	0.3	**0.3**
Gain on financial instruments		0.7	0.4	-	-	**1.1**
Refinancing costs		-	(0.5)	-	-	**(0.5)**
Share-based payments		-	-	-	(0.9)	**(0.9)**
Other items		-	-	-	(0.4)	**(0.4)**
Profit/(loss)		30.1	(2.0)	1.5	(7.2)	**22.4**
Total assets	2b	984.1	30.9	4.4	12.0	**1,031.4**
Total liabilities	2b	(518.7)	(23.5)	(2.2)	(5.6)	**(550.0)**
Net assets		465.4	7.4	2.2	6.4	**481.4**

[1] Comprises Kingfisher Redditch. For further information see Note 7.
[2] Asset management fees of £3.6 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.
[3] £0.3 million of monies were received in the year through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies were distributed following the sale of properties by the liquidator of the underlying German entities.

2a Operating segments

		UK Shopping Centres				
		Wholly-owned assets	Other UK Shopping Centres[1]	Snozone	Group/ Central	**Total**
Year to 30 December 2016	Note	£m	£m	£m	£m	**£m**
Rental income from external sources	2b	62.0	3.4	-	-	**65.4**
Property and void costs		(11.6)	(1.2)	-	-	**(12.8)**
Net rental income		50.4	2.2	-	-	**52.6**
Net interest expense		(19.0)	(0.9)	-	(0.4)	**(20.3)**
Snozone income/Management fees[2]	2b	-	-	10.2	2.4	**12.6**
Management expenses		-	-	(8.7)	(7.8)	**(16.5)**
Investment income		-	-	-	0.3	**0.3**
Depreciation		-	-	(0.1)	-	**(0.1)**
Variable overhead (excluding non-cash items)		-	-	-	(1.8)	**(1.8)**
Tax (charge)/credit		-	(0.1)	-	0.1	**-**
Adjusted Profit		31.4	1.2	1.4	(7.2)	**26.8**
Revaluation of properties		(14.2)	1.2	-	-	**(13.0)**
Deferred tax on revaluation of properties		-	(1.5)	-	-	**(1.5)**
Loss on disposal[3]		(5.9)	(0.6)	-	-	**(6.5)**
Income from Euro B Note[4]		-	-	-	3.9	**3.9**
Loss on financial instruments		(2.5)	-	-	-	**(2.5)**
Refinancing costs[5]		(11.0)	-	-	-	**(11.0)**
Share-based payments		-	-	-	(0.5)	**(0.5)**
Other items		-	-	-	(0.1)	**(0.1)**
(Loss)/profit		(2.2)	0.3	1.4	(3.9)	**(4.4)**
Total assets	2b	885.9	32.1	4.0	42.1	**964.1**
Total liabilities	2b	(460.9)	(18.2)	(2.1)	(5.3)	**(486.5)**
Net assets		425.0	13.9[6]	1.9	36.8[6]	**477.6**

[1] Includes Buttermarket Ipswich and Kingfisher Redditch. For further information see Note 7.
[2] Asset management fees of £3.6 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.
[3] Includes £0.6 million impairment of Ipswich trading property recognised on reclassification as held for sale.
[4] £3.9 million of monies were received in the year through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies were distributed following the sale of properties by the liquidator of the underlying German entities.
[5] Refinancing costs consist of those triggered by serving notice on the existing debt facility on five Mall assets on 28 December 2016. They comprise £7.6 million of fixed rate loan redemption costs and the write off of the £3.4 million of financing costs that were unamortised at 30 December 2016.
[6] Net assets of the Buttermarket Ipswich joint venture have been included within Group following its reclassification as held for sale on 30 December 2016. The results for the year were reflected in the Other UK Shopping Centres column.

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	Year to 30 December 2017 £m	Year to 30 December 2016 £m
Rental income from external sources	2a	**66.2**	65.4
Service charge income		**14.1**	14.0
Management fees	2a	**2.2**	2.4
Snozone income	2a	**10.4**	10.2
Revenue for reportable segments		**92.9**	92.0
Elimination of inter-segment revenue		**(1.4)**	(1.4)
Rental income earned by associates and joint ventures	2a	**(2.3)**	(3.4)
Revenue per consolidated income statement	3	**89.2**	87.2

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

Assets	Note	2017 £m	2016 £m
Total assets of reportable segments	2a	**1,031.4**	964.1
Adjustment for associates and joint ventures		**(23.5)**	(18.2)
Group assets		**1,007.9**	945.9
Liabilities			
Total liabilities of reportable segments	2a	**(550.0)**	(486.5)
Adjustment for associates and joint ventures		**23.5**	18.2
Group liabilities		**(526.5)**	(468.3)
Net assets by country			
UK		**481.3**	477.5
Germany		**0.1**	0.1
Group net assets		**481.4**	477.6

3 Revenue

	Note	Year to 30 December 2017 £m	Year to 30 December 2016 £m
Gross rental income		**51.2**	51.0
Ancillary income		**12.7**	11.0
	2a	**63.9**	62.0
Service charge income	2b	**14.1**	14.0
External management fees		**0.8**	1.0
Snozone income	2a	**10.4**	10.2
Revenue per consolidated income statement	2b	**89.2**	87.2

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

4 Tax

4a Tax credit

	Year to 30 December 2017 £m	Year to 30 December 2016 £m
Current tax		
UK corporation tax	**-**	**-**
Adjustments in respect of prior years	**-**	**(0.1)**
Total current tax credit	**-**	**(0.1)**
Deferred tax		
Origination and reversal of temporary timing differences	**-**	**-**
Total deferred tax	**-**	**-**
Total tax credit	**-**	**(0.1)**

£nil (2016: £nil) of the tax charge relates to items included in other comprehensive income.

4 Tax (continued)

4b Tax charge reconciliation

	Note	**Year to 30 December 2017 £m**	Year to 30 December 2016 £m
Profit/(loss) before tax on continuing operations		**22.4**	(4.5)
Profit/(loss) multiplied by the UK corporation tax rate of 19.25% (2016: 20%)		**4.3**	(0.9)
REIT exempt income and gains		**(4.0)**	(1.5)
Non-allowable expenses and non-taxable items		**(0.4)**	(0.5)
Excess tax losses		**0.1**	0.4
Unrealised losses/(gains) on investment properties not taxable		**-**	2.6
Temporary timing and controlled foreign companies income		**-**	(0.1)
Adjustments in respect of prior years		**-**	(0.1)
Total tax credit	4a	**-**	(0.1)

4c Deferred tax

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

The Group has recognised a deferred tax asset of £0.1 million (2016: £0.1 million). No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates or in joint ventures in the current or prior years as it is not certain that a deduction will be available when the asset crystallises.

The Group has £12.3 million (2016: £13.9 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses (2016: £nil). The Group has unused capital losses of £25.1 million (2016: £30.5 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

4d REIT compliance

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

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

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

5 Earnings per share

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

5a Earnings per share calculation

		Year to 30 December 2017			Year to 30 December 2016		
	Note	**Profit**	**EPRA**	**Adjusted Profit**	Profit	EPRA	Adjusted Profit
Profit (£m)							
Profit/(loss) for the year		**22.4**	**22.4**	**22.4**	(4.4)	(4.4)	(4.4)
Revaluation loss on investment properties (net of tax)	5b	**-**	**6.3**	**6.3**	-	14.5	14.5
Loss on disposal of properties (net of tax)	5b	**-**	**-**	**-**	-	6.5	6.5
Income from German B Note	2a	**-**	**(0.3)**	**(0.3)**	-	(3.9)	(3.9)
Changes in fair value of financial instruments	5b	**-**	**(1.1)**	**(1.1)**	-	2.5	2.5
Refinancing costs	2a	**-**	**0.5**	**0.5**	-	11.0	11.0
Share-based payments	2a	**-**	**-**	**0.9**	-	-	0.5
Other items	2a	**-**	**-**	**0.4**	-	-	0.1
Profit		**22.4**	**27.8**	**29.1**	(4.4)	26.2	26.8
Earnings per share (pence)		**3.2p**	**3.9p**	**4.1p**	(0.6)p	3.7p	3.8p
Diluted earnings per share (pence)		**3.1p**	**3.9p**	**4.1p**	(0.6)p	3.7p	3.8p

None of the current or prior year earnings related to discontinued operations (2016: none).

Weighted average number of shares (m)	**Year to 30 December 2017**	Year to 30 December 2016
Ordinary shares in issue	**709.2**	701.0
Own shares held	**(0.2)**	(0.6)
Basic	**709.0**	700.4
Dilutive contingently issuable shares and share options	**6.8**	10.0
Diluted	**715.8**	710.4

At the end of the year, the Group had 12,128,362 (2016: 11,929,797) share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute earnings per share in the future but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

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

		Year to 30 December 2017			Year to 30 December 2016		
		Revaluation movements	**Profit on disposal of investment properties**	**Movement in fair value of financial instruments**	Revaluation movements	Loss on disposal of investment properties	Movement in fair value of financial instruments
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Wholly-owned		**(3.8)**	**-**	**0.7**	(14.2)	(5.9)	(2.5)
Associates	7d	**(2.5)**	**-**	**0.4**	(2.3)	-	-
Joint ventures	7e	**-**	**-**	**-**	3.5	(0.6)	-
Tax effect		**-**	**-**	**-**	(1.5)	-	-
Total	5a	**(6.3)**	**-**	**1.1**	(14.5)	(6.5)	(2.5)

5 Earnings per share (continued)

5c Headline earnings per share

	Year to 30 December 2017		Year to 30 December 2016	
	Basic	**Diluted**	Basic	Diluted
Profit (£m)				
Profit/(loss) for the year	**22.4**	**22.4**	(4.4)	(4.4)
Revaluation loss on investment properties (including tax)	**6.3**	**6.3**	14.5	14.5
Loss on disposal of properties (net of tax)	**-**	**-**	6.5	6.5
Income from Euro B Note	**(0.3)**	**(0.3)**	(3.9)	(3.9)
Headline earnings	**28.4**	**28.4**	12.7	12.7
Weighted average number of shares (m)				
Ordinary shares in issue	**709.2**	**709.2**	701.0	701.0
Own shares held	**(0.2)**	**(0.2)**	(0.6)	(0.6)
Dilutive contingently issuable shares and share options	**-**	**6.8**	-	10.0
	709.0	**715.8**	700.4	710.4
Headline Earnings per share (pence)	**4.0p**	**4.0p**	1.8p	1.8p

6 Investment properties

6a Wholly-owned properties

	Freehold investment properties	Leasehold investment properties	**Total property assets**
	£m	£m	**£m**
Cost or valuation			
At 30 December 2015	292.7	577.3	**870.0**
Acquired (The Marlowes, Hemel Hempstead)	56.6	-	**56.6**
Disposals (The Mall Camberley)	-	(93.9)	**(93.9)**
Capital expenditure (excluding capital contributions)	13.5	5.9	**19.4**
Valuation deficit	(4.9)	(8.7)	**(13.6)**
At 30 December 2016	**357.9**	**480.6**	**838.5**
Acquired (The Exchange, Ilford)	79.0	-	**79.0**
Capital expenditure (excluding capital contributions)	4.3	12.3	**16.6**
Valuation surplus[1]	(3.8)	0.3	**(3.5)**
At 30 December 2017	**437.4**	**493.2**	**930.6**

[1] £3.8 million per Note 2a includes letting fee amortisation adjustment of £0.3 million (2016: £0.6 million).

6b Property assets summary

	30 December 2017		30 December 2016	
	100% £m	**Group share £m**	100% £m	Group share £m
Wholly-owned				
Investment properties at fair value	**886.6**	**886.6**	794.1	794.1
Head leases treated as finance leases on investment properties	**61.3**	**61.3**	61.3	61.3
Unamortised tenant incentives on investment properties	**(17.3)**	**(17.3)**	(16.9)	(16.9)
IFRS Property Value	**930.6**	**930.6**	838.5	838.5
Associates				
Investment properties at fair value	**142.9**	**28.6**	154.1	30.8
Unamortised tenant incentives on investment properties	**(4.5)**	**(0.9)**	(4.1)	(0.8)
IFRS Property Value	**138.4**	**27.7**	150.0	30.0
Total at property valuation	**1,029.5**	**915.2**	948.2	824.9
Total IFRS Property Value	**1,069.0**	**958.3**	988.5	868.5

6 Investment properties (continued)

6c Valuations
External valuations at 30 December 2017 were carried out on all of the gross property assets detailed in the table above. The Group's share of the total investment properties at fair value was £915.2 million of £1,029.5 million (2016: £824.9 million of £948.2 million).

The valuations were carried out by independent qualified professional valuers from CBRE Limited and Knight Frank LLP (2016: 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.

7 Investment in associates and joint ventures

7a Share of results

	Note	**Year to 30 December 2017 £m**	Year to 30 December 2016 £m
Share of results of associates	2a, 7d	**(2.0)**	(1.5)
Share of results of joint ventures	7e	**-**	1.8
		(2.0)	0.3

7b Investment in associates

	Note	**30 December 2017 £m**	30 December 2016 £m
At the start of the year		**13.9**	15.9
Share of results of associates	7d	**(2.0)**	(1.5)
Dividends and capital distributions received		**(4.5)**	(0.5)
At the end of the year	7d	**7.4**	13.9

The Group's only significant associate during 2017 was the Kingfisher Limited Partnership in which the Group is in partnership with funds under the management of Oaktree Capital Management LP. The Kingfisher Limited Partnership owns The Kingfisher Shopping Centre in Redditch. The Group has a 20% share and exercises significant influence through its representation on the General Partner board and through acting as the property and asset manager.

7c Investment in joint ventures

	Note	**30 December 2017 £m**	30 December 2016 £m
At the start of the year		**-**	11.7
Share of results of joint ventures	7e	**-**	1.8
Reclassification of Buttermarket Centre, Ipswich as held for sale		**-**	(13.5)
At the end of the year	7e	**-**	-

The Group's only significant joint venture during 2016 was the Buttermarket Centre, Ipswich. Buttermarket Ipswich Limited was reclassified as held for sale on 30 December 2016 as Management, and its joint venture partner, were committed to a plan to sell and considered a disposal to be highly probable within the following 12 months. On 17 February 2017 the sale completed to National Grid Pension Fund. The Group's share of the initial proceeds was £9.8 million, with Management estimating the value of deferred contingent consideration to be a further £3.7 million, net of the Group's share of disposal costs of £0.4 million. To date £0.3m net additional consideration has been received by the Group.

7d Analysis of investment in associates

	Year to 30 December 2017[1] Total £m	Year to 30 December 2016[1] Total £m
Income statement (100%)		
Revenue – gross rent	**11.3**	11.5
Property and management expenses	**(2.7)**	(2.0)
Void costs	**(1.1)**	(1.0)
Net rent	**7.5**	8.5
Net interest payable	**(6.6)**	(3.8)
Contribution	**0.9**	4.7
Revaluation of investment properties	**(12.4)**	(11.8)
Fair value of interest rate swaps	**1.9**	(0.2)
Profit before tax	**(9.6)**	(7.3)
Tax	**(0.2)**	(0.7)
Profit after tax	**(9.8)**	(8.0)
Balance sheet (100%)		
Investment properties	**138.4**	150.0
Other assets	**16.1**	10.4
Current liabilities	**(6.3)**	(6.5)
Non-current liabilities	**(111.3)**	(84.0)
Net assets (100%)	**36.9**	69.9
Income statement (Group share)		
Revenue – gross rent	**2.3**	2.3
Property and management expenses	**(0.5)**	(0.4)
Void costs	**(0.2)**	(0.2)
Net rent	**1.6**	1.7
Net interest payable	**(1.4)**	(0.8)
Contribution	**0.2**	0.9
Revaluation of investment properties	**(2.5)**	(2.3)
Fair value of interest rate swaps	**0.4**	-
Profit before tax	**(1.9)**	(1.4)
Tax	**(0.1)**	(0.1)
Profit after tax	**(2.0)**	(1.5)
Balance sheet (Group share)		
Investment properties	**27.7**	30.0
Other assets	**3.3**	2.1
Current liabilities	**(1.3)**	(1.4)
Non-current liabilities	**(22.3)**	(16.8)
Net assets (Group share)	**7.4**	13.9

[1] Comprises Kingfisher Redditch.

7e Analysis of investment in joint ventures

	Year to 30 December 2017 Total £m	Year to 30 December 2016[1] Total £m
Income statement (100%)		
Revenue – gross rent	-	2.2
Property and management expenses	-	(0.7)
Void costs	-	(0.6)
Net rent	-	0.9
Net interest payable	-	(0.3)
Contribution	-	0.6
Revaluation of investment properties	-	7.2
Deferred tax on revaluation	-	(2.9)
Impairment	-	(1.2)
Profit before tax	-	3.7
Tax	-	-
Profit after tax	-	3.7
Income statement (Group share)		
Revenue – gross rent	-	1.1
Property and management expenses	-	(0.3)
Void costs	-	(0.3)
Net rent	-	0.5
Net interest payable	-	(0.1)
Contribution	-	0.4
Revaluation of investment properties	-	3.5
Deferred tax on revaluation	-	(1.5)
Impairment	-	(0.6)
Profit before tax	-	1.8
Tax	-	-
Profit after tax	-	1.8

[1] Comprised Buttermarket Ipswich.

8 Cash and cash equivalents

	30 December 2017 £m	30 December 2016 £m
Cash at bank and in hand	**24.4**	45.8
Security deposits held in rent accounts	**0.8**	0.7
Other restricted balances	**5.0**	2.6
	30.2	49.1

Cash at bank and in hand include amounts subject to a charge against various borrowings and may therefore not be immediately available for general use by the Group. All of the above amounts at 30 December 2017 were held in Sterling other than £0.9 million which was held in Euros (30 December 2016: £0.3 million).

9 Bank loans

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

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

During the period £39.0 million of new debt was drawn in respect of the acquisition of The Exchange, Ilford, and £362.5 million in respect of the refinancing of the Mall assets completed on 4 January 2017. The maturity of the Group's £30 million revolving credit facility was extended in the year to 22 January 2022.

10 Reconciliation of net cash from operations

	Note	**Year to 30 December 2017 £m**	Year to 30 December 2016 £m
Profit/(loss) for the year		**22.4**	(4.4)
Adjusted for:			
Income tax credit	4a	**-**	(0.1)
Finance income		**(1.2)**	(0.4)
Finance expense		**18.8**	33.0
Loss on revaluation of wholly-owned properties		**3.8**	14.2
Share of loss/(profit) in associates and joint ventures	7a	**2.0**	(0.3)
Depreciation of other fixed assets		**0.2**	0.1
Other gains and losses		**(0.3)**	1.8
Increase in receivables		**(7.3)**	(0.1)
Increase/(decrease) in payables		**3.7**	(3.2)
Non-cash movement relating to share-based payments		**0.9**	0.5
Net cash from operations		**43.0**	41.1

11 Net assets per share

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

	30 December 2017			30 December 2016
	Net assets £m	**Number of shares (m)**	**Net assets per share (£)**	Net assets per share (£)
Basic net assets	**481.4**	**718.3**	**0.67**	0.68
Own shares held		**(0.2)**		
Dilutive contingently issuable shares and share options		**6.8**		
Fair value of fixed rate loans (net of tax)	**(1.6)**			
EPRA triple net assets	**479.8**	**724.9**	**0.66**	0.67
Exclude fair value of fixed rate loans (net of tax)	**1.6**			
Exclude fair value of see-through interest rate derivatives	**1.3**			
Exclude deferred tax on unrealised gains and capital allowances	**(0.1)**			
EPRA net assets	**482.6**	**724.9**	**0.67**	0.68

12 Return on equity

	30 December 2017 £m	30 December 2016 £m
Total comprehensive income attributable to equity shareholders	**22.4**	(4.4)
Opening equity shareholders' funds plus time weighted additions	**480.1**	503.4
Return on equity	**4.7%**	(0.9)%

13 Dividends

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

	Year to 30 December 2017 £m	Year to 30 December 2016 £m
Final dividend per share paid for year ended 30 December 2015 of 1.62p	-	11.3
Interim dividend per share paid for year ended 30 December 2016 of 1.62p	-	11.4
Final dividend per share paid for year ended 30 December 2016 of 1.77p	12.4	-
Interim dividend per share paid for year ended 30 December 2017 of 1.73p	12.4	-
Amounts recognised as distributions to equity holders in the year	**24.8**	**22.7**
Proposed final dividend per share for year ended 30 December 2017 of 1.91p[1]	**13.7**	-

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

Covenant information *(Unaudited)*

Wholly-owned assets

	Borrowings **£m**	Covenant	30 December 2017	Future changes
Core revolving credit facility (100%)				
Net Assets	-	No less than £350m	£481.6m	
Gearing		No greater than 1.5:1	0.87:1	
Historic interest cover		No less than 200%	374%	
4 Mall assets (100%)				
Loan to value[1]	255.0	No greater than 70%	48%	
Historic interest cover		No less than 175%	291%	
A projected interest cover test also applies at a covenant level of no less than 150%				
Luton (100%)				
Loan to value[1]	107.5	No greater than 70%	55%	Covenant 65% from January 2022
Debt yield		No less than 8%	10.2%	
Historic interest cover		No less than 250%	350%	
A projected interest cover test also applies at a covenant level of no less than 200%				
Hemel Hempstead (100%)				
Loan to value[1]	26.9	No greater than 60%	50%	
Debt to net rent		No greater than 10:1	7.1:1	Covenant 9:1 from April 2019
Historic interest cover		No less than 200%	435%	
A projected interest cover test also applies at a covenant level of no less than 200%				
Ilford (100%)				
Loan to value[1]	39.0	No greater than 70%	47%	
Historic interest cover		No less than 225%	515%	
A projected interest cover test also applies at a covenant level of no less than 225%				

[1] Calculated as specified in loan agreement based on 30 December 2017 valuation. Actual bank covenant based on bank valuation updated annually.

The covenants above refer to the default covenant. The facilities typically also have a cash trap covenant.

Glossary of terms

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

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

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

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

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

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

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

Debt is borrowings, excluding unamortised issue costs.

EPRA earnings per share (EPS) is the profit / (loss) after tax excluding gains on asset disposals and revaluations, movements in the fair value of financial instruments, intangible asset movements and the capital allowance effects of IAS 12 "Income Taxes" where applicable, less tax arising on these items, divided by the weighted average number of shares in issue during the year excluding own shares held.

EPRA net assets per share include the dilutive effect of share-based payments but ignore the fair value of derivatives, any deferred tax provisions on unrealised gains and capital allowances, any adjustment to the fair value of borrowings net of tax and any surplus on the fair value of trading properties.

EPRA triple net assets per share include the dilutive effect of share-based payments and adjust all items to market value, including trading properties and fixed rate debt.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REIT – Real Estate Investment Trust.

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

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

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

Temporary lettings are those lettings for one year or less.

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

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

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

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

Wholly-owned assets portfolio information *(Unaudited)*

At 30 December 2017

Physical data	
Number of properties	7
Number of lettable units	765
Size (sq feet – million)	3.5
Valuation data	
Properties at independent valuation (£m)	886.6
Adjustments for head leases and tenant incentives (£m)	44.0
Properties as shown in the financial statements (£m)	**930.6**
Revaluation loss in the year (£m)	3.8
Initial yield	6.1%
Equivalent yield	6.4%
Reversion	12.3%
Loan to value ratio	48%
Net debt to value ratio	46%
Lease length (years)	
Weighted average lease length to break	6.5
Weighted average lease length to expiry	7.8
Passing rent (£m) of leases expiring in:	
2018	9.0
2019	3.1
2020-2022	17.1
ERV (£m) of leases expiring in:	
2018	10.9
2019	4.5
2020-2022	17.8
Passing rent (£m) subject to review in:	
2018	3.0
2019	3.4
2020-2022	9.3
ERV (£m) of passing rent subject to review in:	
2018	3.0
2019	3.3
2020-2022	12.0
Rental Data	
Contracted rent at year end (£m)	64.1
Passing rent at year end (£m)	61.0
ERV at year end (£m per annum)	68.5
ERV movement (like-for-like)	+0.3%
Occupancy	97.3%

EPRA performance measures *(Unaudited)*

As at 30 December 2017

	Note	**2017**	2016
EPRA earnings (£m)	5a	**27.8**	26.2
EPRA earnings per share (diluted)	5a	**3.9p**	3.7p
EPRA net assets (£m)	11	**482.6**	481.5
EPRA net assets per share	11	**67p**	68p
EPRA triple net assets (£m)	11	**479.8**	475.2
EPRA triple net assets per share	11	**66p**	67p
EPRA vacancy rate (UK portfolio only)		**2.8%**	3.7%

EPRA net initial yield and EPRA topped-up net initial yield

	2017	2016[1]
	£m	£m
Investment property – wholly-owned	**886.6**	794.1
Investment property – share of joint ventures and associates	**28.6**	30.8
Less developments	**-**	-
Completed property portfolio	**915.2**	824.9
Allowance for capital costs	**8.0**	15.0
Allowance for estimated purchasers' costs	**60.2**	56.3
Grossed up completed property portfolio valuation	**983.4**	896.2
Annualised cash passing rental income	**67.0**	58.8
Property outgoings	**(13.1)**	(11.4)
Annualised net rents	**53.9**	47.4
Add: notional rent expiration of rent free periods or other lease incentives	**3.6**	4.4
Topped up annualised rent	**57.5**	51.8
EPRA net initial yield	**5.5%**	5.3%
EPRA topped-up net initial yield	**5.8%**	5.8%

[1] Excludes Buttermarket Centre, Ipswich.

EPRA Cost ratios

	2017	2016
	£m	£m
Cost of sales (adjusted for IFRS head lease differential)	**33.9**	33.0
Administrative costs	**10.2**	10.9
Service charge income	**(14.1)**	(14.0)
Management fees	**(0.8)**	(1.0)
Snozone (indoor ski operation) costs	**(8.9)**	(8.8)
Share of joint venture & associate expenses	**0.7**	1.2
Less inclusive lease costs recovered through rent	**(2.1)**	(1.9)
EPRA costs (including direct vacancy costs)	**18.9**	19.4
Direct vacancy costs	**(3.1)**	(2.9)
EPRA costs (excluding direct vacancy costs)	**15.8**	16.5
Gross rental income	**63.9**	62.0
Less ground rent costs	**(3.0)**	(3.1)
Share of joint venture & associate gross rental income less ground rent costs	**2.3**	3.4
Less inclusive lease costs recovered through rent	**(2.1)**	(1.9)
Gross rental income	**61.1**	60.4
EPRA cost ratio (including direct vacancy costs)	**30.9%**	32.2%
EPRA cost ratio (excluding vacancy costs)	**25.9%**	27.4%