4 September 2020

Capital & Regional plc

(“Capital & Regional” or “C&R” or “the Company” or “the Group”)

Half Year Results to 30 June 2020

Capital & Regional (LSE: CAL), the UK focused REIT with a portfolio of dominant in-town community shopping centres, announces its half year results to 30 June 2020.

Lawrence Hutchings, Chief Executive, comments:

“While all of our centres have remained open throughout the pandemic, the government enforced restrictions have naturally impacted on the Group’s operations. However our local community strategy, focused on providing non-discretionary, essential goods and services, has helped mitigate the impact on a relative basis. Indeed, our strategy is now more relevant than ever as the structural changes in consumer habits that were already underway within the retail industry have been accelerated. Our successful delivery of this community centre strategy over the past three years, combined with the investments we have made in our operating platform, have not only helped us navigate these extraordinary times but have also ensured the continued support of our key stakeholders which we greatly appreciate.

“During this time we have also been able to progress important initiatives, including the submission of a planning application to convert our existing residential consent at Walthamstow into Build to Rent which will facilitate the introduction of a development partner. We have also advanced discussions with the NHS for the introduction of a significant new healthcare centre at Ilford. These are important steps forward as we continue to maximise the mixed and evolving uses of our key locations.

“While the current COVID-19 situation has placed pressure on leverage, we believe that the combination of the level of cash of approximately £80 million, largely maintained from the recapitalisation of the Group in December 2019; the measures agreed with our lenders; and the focus on local centres offering non-discretionary goods and services, provide a sound base for navigating the short to medium term. We are now working to better understand the long term impact of the current uncertainties to determine the best approach for reducing debt levels and shaping the Group’s future position to best capitalise on its strengths as an owner and manager of community shopping centres.”

Norbert Sasse, Chief Executive – Growthpoint Properties Limited, comments:

“We continue to be impressed by the quality of the Capital & Regional team and its strategy since our investment to acquire a 51% stake in the business last December. Considering the unparalleled circumstances of COVID-19, we believe the operating metrics delivered during the period are very strong on a relative basis and reflect the quality of the assets and the platform. The pandemic has accelerated the underlying structural changes that were already taking place in physical retailing, but we believe the majority of C&R’s portfolio of needs-based community centres remain well placed to prosper post a stabilisation in trading conditions. We thank the entire C&R team for their focus and commitment both in managing the challenges and striving to position the business for the future.”

Operational impact of COVID-19 mitigated by community centre strategy

- All seven of the Company's community shopping centres remained open throughout lockdown. 605 stores, representing over 96% of units are now back open, up from 68 stores in early May
- Occupancy has remained high at 95% (December 2019: 97.2%)
- Footfall significantly impacted by COVID-19, but 20.7 million visits across the portfolio outperformed the national index by 2.6%. Visitor numbers currently improving week on week
- 76% of rent in respect of the first half of the year has now been collected. Rent collection for the third quarter of the year is running at 54%. Over half of the balance of rent outstanding is due from well-capitalised national retailers
- 24 new lettings and renewals during the period with an encouraging leasing pipeline
- Net Rental Income (NRI) down £9 million to £16.2 million (June 2019: £25.2 million), largely as a result of COVID-19, driving reduction in Adjusted Profit[1] to £4.6 million (June 2019: £14.8 million)
- IFRS Loss for the period of £115.5 million due primarily to a 16% fall in property valuations (June 2019: Loss of £55.4 million) mitigated by relative resilience of London assets which fell by 11.8%

Balance sheet supported by high cash reserve levels

- As at 30 June 2020 the Group had total cash on balance sheet of c. £80 million, of which £67 million was maintained centrally and without any restriction, equivalent to more than one year's gross rental income
- In light of the current level of uncertainty and desire to maximise cash flexibility, the Group has not declared an Interim Dividend and will maintain this position until market circumstances improve
- Net Asset Value per share and EPRA NTA per share, at 229p and 236p respectively (December 2019: 361p and 364p respectively)
- Net LTV of 57% (December 2019: 46%)
- Waivers obtained on the four Mall asset, Luton and Ilford loan facilities for all income covenants for the remainder of 2020. Discussions ongoing over agreements on longer term covenant relaxation

	6 months to June 2020	6 months to June 2019	Year to Dec 2019
Net Rental Income	**£16.2m**	£25.2m	£49.3m
Adjusted Profit[1]	**£4.6m**	£14.8m	£27.4m
Adjusted Earnings per share[1]	**4.4p**	20.4p	36.7p
IFRS (Loss)/Profit for the period	**£(115.5)m**	£(55.4)m	£(121.0)m
Basic earnings per share	**(111.0)p**	(76.3)p	(162.3)p
Net Asset Value (NAV) per share	**229p**	514p	361p
EPRA NTA per share	**236p**	516p	364p
Group net debt	**£348.2m**	£413.1m	£336.9m
Net debt to property value	**57%**	52%	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, which have been updated during the year, 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. A reconciliation to the equivalent statutory measures is provided in Notes 6 and 12 to the condensed financial statements.

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 Notes 3 and 6 to the condensed financial statements.

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Notes to editors:

About Capital & Regional

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

Capital & Regional owns seven shopping centres in Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green. Capital & Regional manages these assets through its in-house expert property and asset management platform.

For further information see www.capreg.com.

South African secondary listing

The Company maintains a primary listing on the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 June 2020, 6,475,782 of the Company's total of 111,819,626 shares were held on the South African register representing 5.8% of the total issued share capital. Java Capital act as JSE Sponsor for the Group.

Forward looking statements

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

Operating review

Impact of COVID-19

All seven of the Company's community shopping centres remained open throughout the period of lockdown providing essential services to the communities we serve. While the restrictions on trading have naturally had a pervasive impact upon operating and financial metrics for the period, it is clear that our offer is now more relevant than ever as a number of structural trends that were already under way in the retail industry have rapidly accelerated. Our strategic focus on local community centres providing non-discretionary and essential goods and services is has clearly mitigated the impact of the pandemic on the Group on a relative basis and provides the business with a sound platform for navigating these unprecedented times.

Our overriding priority during this time has been the health, safety and protection of our colleagues, guests and customers and, since the outbreak of the virus, we have been rigorously following the latest official government guidelines and advice across our portfolio. Precautionary measures we have taken include:

- Enhanced deep cleaning, sanitising stations at key locations and PPE for all centre employees;
- Arrows and signage in common areas to encourage directional flow and a one-way system, as well as providing distancing reminders;
- Limiting numbers of people in guest facilities, escalators, stairs and lifts at any one time; and
- Removal of most public seating to discourage congregation and close contact.

Access to our centres is closely monitored through additional staff and existing footfall technology, with visitor capacity carefully controlled to maintain social distancing and to protect visitors, occupiers and staff. If the density of shoppers rises to levels that may prevent social distancing, access to the centre is restricted or temporarily stopped until numbers reduce.

On 15 June 2020, the lifting of restrictions enabling non-essential retailers to open again saw a significant increase in the number of tenants re-opening. As at 30 June 2020, 74% of stores were open and trading, with that number having increased to over 96% as of today. We are working closely with the remaining retailers to re-open as soon as possible. Footfall outperformed the national average by 2.6% during the period and is on a consistently improving trend.

Mindful of the significant impact of COVID-19 on C&R employees, the Executive Directors volunteered a 20% reduction in salary and Non-Executive Directors a 20% reduction in their director fees for the months of April, May and June 2020. The funds saved were used to support C&R employees most financially impacted by COVID-19.

New lettings, renewals and rent reviews

There were 24 new lettings and renewals during the period at a combined average premium to previous rent of 9.59%[1]. This compares to 44 deals in the equivalent period in 2019. The majority of new deals were agreed in Q1 2020 prior to the emergence of COVID-19 in the UK, with transactions significantly slowing in Q2 2020. In what is a relatively small sample size, the leasing spreads are negatively influenced by a single renewal of a 10-year-old lease in Ilford that had not been rebased prior to our acquisition in March 2017. Highlights of leasing activity in the first half of 2020 included a new letting to Pure Gym at Maidstone, taking the second floor of the former BHS space, an agreement for lease for the introduction of Lidl to Luton and renewals with H&M and TK Maxx also in Luton.

Moving into the second half of the year, we are encouraged by the strength of our leasing pipeline with an equivalent volume of new lettings and renewals to that achieved in H1 2020 already in solicitors' hands. Furthermore, we are seeing an accelerating trend towards a higher proportion of deals with local independent operators on a shorter term basis and have been strengthening our in-house leasing capability in this area.

We are in advanced discussions with the NHS for a new purpose built community healthcare facility at The Exchange, Ilford. This initiative, which could be replicated at other centres, further demonstrates the important role our centres continue to play in the daily life of their local environments.

	6 months to June 2020
New Lettings	
Number of new lettings	10
Rent from new lettings (£m)	£0.6m
Renewals settled	
Renewals settled	14
Revised rent (£m)	£0.9m
Combined new lettings and renewals	
Comparison to previous rent[1]	+9.59%
Comparison to ERV at December 2019[1]	-7.4%

[1] For lettings and renewals (excluding development deals and CVA variations) with a term of 5 years or longer which do not include turnover rent or service charge restrictions.

Operational performance

Approximately 76% of our occupiers by contracted rent were classed as 'non-essential' retailers and were required to close on 23 March 2020. We have been working closely with our occupiers throughout the lockdown period both supporting those who were able to continue trading and helping prepare those who had to close for the return to opening. As of today over 96% of our retailers are back open and trading.

Footfall has been significantly impacted by the closure of trading units and the need to manage capacity due to social distancing measures, however our centres outperformed the national average and footfall is currently increasing week on week. In total there were 20.79 million shopper visits across the portfolio in the first half of 2020, 44.4% lower than the prior year on a like for like basis, outperforming the national index by 2.6%.
Footfall has been on a consistently improving trend in the weeks following the period end with the five weeks encompassing August at –34.8%, outperforming the national index by 7.3%.

In order to support key workers and those who needed to use their cars to access essential services, and to help minimise touchpoints within the centres, car park charges were waived throughout the lockdown period at all our centres. The reduced car park usage and the charge waiver resulted in a decrease of income to £2.6 million, a reduction of 49.4% compared to the equivalent period in the prior year. By 30 June 2020, all of our car parks were back to operating on a normal tariff basis.

Rent collection

76% of rent in respect of the first half of the year has now been collected. Rent collection for the second and third quarters of the year combined, including monthly invoices up to August, is running at 54% an improvement of 14% since we updated the market in early July 2020. The table below provides further detail.

	Rent collection 6m to 30 June 2020		Rent collection 9m to 30 September 2020	
	£m		**£m**	
Rent collected	18.2	76%	23.6	69%
Deferred/monthly	0.5	2%	1.1	3%
Total collected and deferred	18.7	78%	24.7	72%
In negotiation	4.1	17%	7.4	22%
Provided in full	1.1	5%	2.0	6%
Total billed	**23.9**	**100%**	**34.1**	**100%**

All data up to end of August 2020.

Of the balance of rent that is in negotiation over half is due from major well-capitalised retailers who have capacity and a clear contractual obligation to pay.

Impact of CVAs / administrations

In total CVAs and administrations, including the full period impact of insolvency events that took place part way through 2019, have impacted Net Rental Income by £2.4 million in the six months to 30 June 2020. This includes a one-off charge of £1.4 million for the write off of incentives of tenants who entered administration during the period. The prior year CVA and current period administration of Debenhams has been the largest single impact accounting for £0.8 million of the reduction consisting of £0.4 million of reduced rent and £0.4 million of incentive write down.

Across the UK in the eight months to the end of August 2020 there were nine actual or proposed Company Voluntary Arrangements (CVAs) involving national retailers or leisure operators, which affected approximately 2,100 stores across the UK. Three of the CVAs Travelodge, Select and New Look have impacted our portfolio across 10 units. If proposals are approved then the annual ongoing impact of these processes is estimated to be c. £0.6 million, equivalent to approximately 1% of passing rent.

Rental income and occupancy

	30 June 2020	30 December 2019	30 June 2019
Contracted rent (£m)	**57.9**	60.8	61.1
Passing rent (£m)	**57.1**	58.8	59.8
Occupancy (%)	**95.0**	97.2	96.8

Occupancy remains high at 95%, with a narrow reduction due to the trading difficulties faced by retailers as a result of COVID-19. Contracted and passing rent fell by 4.8% and 2.9% respectively from the equivalent December 2019 balances, reflecting the increase in void and the impact of CVAs and administrations.

Capital expenditure investment

In light of the COVID-19 pandemic, we reviewed all capital expenditure and limited spend only to either committed projects, those driving immediate income returns, or those having strategic priority. In total £6.6 million was invested in the first six months of the year with the primary projects being: works to facilitate the letting of the former BHS space in Maidstone to Matalan and Pure Gym (£0.9 million); progression of the Walthamstow residential opportunity (£1.3 million); and works completed on the planned new food court at Walthamstow outside of the rebuild cost covered by insurance (£1.5 million). We anticipate spend in the second half of the year to be at a similar level.

In light of the uncertain market conditions we have paused on any commitments to the proposed Hemel Hempstead cinema project while market conditions, particularly for the leisure sector, remain so uncertain and are considering alternative options for the centre.

Walthamstow residential opportunity

We continue to make good progress towards delivering the residential scheme and securing the associated land receipt. Scheme design changes to simplify delivery and to incorporate a second Victoria line entrance to Walthamstow station have been finalised and revised detailed planning applications, on a Build to Rent basis for the above and below ground elements were submitted in mid-August. Subject to local planning authority timings, we expect to secure a consented scheme at around the turn of the year. Discussions with our favoured residential partner have progressed in parallel and we are at the final stages of contractual and legal negotiations, with a conditional exchange imminent. Assuming an acceptable planning consent and discharge of contract conditions, our partner is targeting a start on site at the end of Q1 2021, at which point the targeted land receipt of approximately £20 million would be triggered.

Snozone

Snozone had a strong first two months of the year, but COVID-19 impacted trade from the start of March culminating in operations being required to close under Government guidance on 27 March 2020. Having undertaken stringent risk assessments and precautionary testing, we re-opened the Castleford and Milton Keynes sites on 7 August 2020 with a reduced capacity and reduced hours to help manage social distancing. While actions were taken to mitigate costs to the fullest extent possible, including utilisation of the Government's furlough scheme for the vast majority of employees, the loss of more than a quarter of annual income resulted in a small loss being registered for the period. This compares to a profit of £1.0 million in the first half of 2019, a performance that would have expected to at least be matched at this consistently profitable business, were it not for the impact of COVID-19.

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	Six months to June 2020	Year to Dec 2019	Six months to June 2019
Profitability			
Net Rental Income (NRI)[1]	**£16.2m**	£49.3m	£25.2m
Adjusted Profit[1, 4]	**£4.6m**	£27.4m	£14.8m
Adjusted Earnings per share	**4.4p**	36.7p	20.4p
IFRS (Loss)/Profit for the period	**£(115.5)m**	£(121.0)m	£(55.4)m
Basic earnings per share	**(111.0)p**	(76.3)p	(162.3)p
EPRA cost ratio (excluding vacancy costs)	**43.6%**	25.9%	24.7%
Net Administrative Expenses to Gross Rent [1]	**16.7%**	10.8%	10.6%
Investment returns			
Net Asset Value (NAV) per share[4]	**229p**	361p	514p
EPRA NTA per share[4]	**236p**	364p	516p
Financing			
Group net debt	**£348.2m**	£336.9m	£413.1m
Group net debt to property value	**57%**	46%	52%
Average maturity of Group debt[2]	**4.9 years**	5.4 years	5.9 years
Cost of Group debt[3]	**3.41%**	3.26%	3.26%

[1] Adjusted Profit is as defined in the Glossary. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 6 to the Financial Statements. The calculation of EPRA cost ratio is provided on page 39.

[2] Assuming exercise of all extension options.

[3] Assuming all loans fully drawn.

[4] Per share amounts are adjusted to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

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**
Adjusted Profit	Adjusted Profit is used as it is considered by management to provide the best indication of the extent to which dividend payments are supported by underlying profits. 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. Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held. A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 6 to the condensed financial statements.
Like-for-like amounts	Like-for-like amounts are presented as they measure operating performance adjusted to remove the impact of properties that were only owned for part of the relevant periods. For the purposes of comparison of capital values, this will also include assets owned at the previous period end but not necessarily throughout the prior period.
Net Rent or Net Rental Income (NRI)	Net Rental Income is rental income from properties, less property and management costs (excluding performance fees). It is a standard industry measure. A reconciliation to statutory turnover is provided in Note 4 to the condensed financial statements.

FINANCIAL REVIEW

Profitability

Components of Adjusted Profit and reconciliation to IFRS Profit

Amounts in £m	**Six months to June 2020**	Year to December 2019	Six months to June 2019
Net Rental Income (NRI)	**16.2**	49.3	25.2
Net interest	**(9.5)**	(18.9)	(9.4)
Snozone (loss)/profit (indoor ski operation)	**(0.1)**	1.5	1.0
Investment income	**-**	0.2	0.1
Central operating costs net of external fees	**(2.0)**	(4.7)	(2.1)
Tax	**-**	(0.1)	-
Adjusted Profit	**4.6**	27.4	14.8
Adjusted Earnings per share (pence)[1]	**4.4p**	36.7p	20.4p
Reconciliation of Adjusted Profit to statutory result			
Adjusted Profit	**4.6**	27.4	14.8
Property revaluation (including Deferred Tax)[2, 3]	**(115.7)**	(138.6)	(64.3)
Profit/(Loss) on disposal	**0.4**	(0.5)	(0.2)
Impairment	**-**	(1.4)	-
(Loss)/Gain on financial instruments	**(5.5)**	(5.0)	(4.9)
Transaction costs on issue of new equity and partial offer	**-**	(2.2)	
Other items	**0.7**	(0.7)	(0.8)
(Loss)/Profit for the period	**(115.5)**	(121.0)	(55.4)

[1] EPRA figures and a reconciliation to EPRA EPS are shown in Note 6 to the condensed Financial Statements.

[2] Includes Kingfisher, Redditch

[3] Per share amounts are adjusted to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

Adjusted Profit – 30 June 2020: £4.6 million (30 June 2019: £14.8 million)

Net Rental Income decreased by £9 million or 35.7% driven by the impact of COVID-19, which has primarily manifested itself across three areas:

- Bad debt charge for the period: £(4.3) million (30 June 2019: £(1.0) million) – rent collection for the first half of 2020 is now 78%. In assessing the treatment of the debt that remained outstanding at 30 June 2020, we have considered the underlying credit position of each individual tenant in determining the level of any provision to be made. In total we have provided for just over 50% of the debt that was outstanding in relation to the second quarter of the year as at 30 June 2020 and this charge has in total been reflected in the half year results for 30 June 2020.
- Car park and ancillary income: £2.9 million (30 June 2019: £5.9 million) – we stopped charging for our car parks, allowing customers and key workers to park for free, once the lockdown at the end of March 2020 restricted the opening of all non-essential retailers. We resumed tariffs at prior rates across all centres in June.
- Administrations and CVAs: the impact of CVAs and administrations in the first six months of 2020 is approximately £2.4 million. This includes c. £1.4 million from the write off of incentives to tenants who have entered administration during the period.

Net interest is broken down in the table below. The increase in notional interest on finance leases reflects the adoption of *IFRS 16 Leases* for the first time which has resulted in a notional interest charge being recognised in respect of the lease agreements for the Group's office premises and Snozone operations.

Amounts in £m	**Six months to 30 June 2020**	Year to 30 December 2019	Six months to 30 June 2019
Net Interest on loans	**7.2**	14.6	7.2
Amortisation of refinancing costs	**0.5**	0.9	0.5
Notional interest charge on finance leases[1]	**2.0**	3.4	1.7
	9.7	18.9	9.4
Central	**(0.2)**	-	-
Net Group interest	**9.5**	18.9	9.4

[1] Notional interest charge with partially offsetting opposite credit of £1.7 million relating to head leases within other property operating expenses.

Outside of the movement in NRI the biggest impact on Adjusted Profit year on year is the contribution (excluding notional interest on finance leases) from Snozone, £(0.2)million in HY20 (HY19: £1.0million), as a result of the operations being shut from 27 March 2020 and only re-opening post period end on 7 August 2020.

Central operating costs net of external fees reduced by £0.1 million, equivalent to an approximate 5% reduction.

Adjusted Earnings per Share for the period were 4.4 pence (30 June 2019: 20.4 pence). The movement reflects both the change in absolute Adjusted Profit and the impact of the equity raise in December 2019 that was equivalent to a 42.8% increase in the Company's Issued Share Capital.

IFRS loss for the period – 30 June 2020: £115.5 million (30 June 2019: £55.4 million)

The overall loss for the period of £115.5 million was primarily driven by the decline in property valuations by £115.7 million detailed further below. There has also been a £5.5 million loss on financial instruments reflecting the revaluation of the Group's interest rate swaps during the period.

Property portfolio valuation

Property at independent valuation	**30 June 2020**			30 December 2019		
	£m	**NIY %**	**NEY %**	£m	NIY %	NEY %
Blackburn	**50.2**	11.77%	11.42%	66.9	10.24%	10.15%
Hemel Hempstead	**27.8**	9.29%	10.97%	34.7	8.50%	10.38%
Ilford	**67.8**	4.69%	7.22%	77.4	6.06%	6.86%
Luton	116.5	9.00%	9.11%	148.7	8.00%	8.17%
Maidstone	**51.0**	9.68%	10.31%	61.9	8.38%	9.69%
Walthamstow	**118.0**	4.69%	5.60%	126.0	5.28%	5.33%
Wood Green	**180.0**	5.96%	5.89%	211.5	5.48%	5.66%
	611.3	**7.18%**	**8.08%**	727.1	6.95%	7.62%

The valuation of the portfolio at 30 June 2020 was £611.3 million, a 16% decline on 30 December 2019 after allowing for Capex spend of £6.6 million in the period. The valuations at 30 June 2020 are subject to a "material valuation uncertainty" clause due to the impact of COVID-19 and the absence of comparable market evidence.

The decline in valuations primarily reflected a significant acceleration in negative sentiment on retail assets with the impact of COVID-19 exacerbating existing structural trends, along with income declines driven by the impact of CVAs and administrations, as well as reduced levels of rent collection currently. The recent trend of our London centres holding up more robustly than our regional assets continued, with the total change in our three London assets (Ilford, Walthamstow and Wood Green) being an 11.8% reduction, compared to a decline of 21% for our regional assets.

This resulted in NAV of £255.5 million and EPRA Net Tangible Assets of £264.4 million compared to December 2019 amounts of £375.1 million and £377.2 million respectively. Basic NAV per share and EPRA NTA per share were 229p and 236p respectively, representing declines of 132p and 128p respectively (December 2019: 361p and 364p respectively).

Group debt

The Group has four non-recourse asset secured loan facilities. Funding costs of 3.41% are substantially fixed and secured over the medium term with a weighted average 4.5 years to maturity at 30 June 2020, extending to 4.9 years if the remaining one year extension on part of the four Mall asset facility is exercised. The decline in property values, due in large part to the impact of COVID-19, has increased the Group's ratio of net debt to property value from 46% at 30 December 2019 to 57% at 30 June 2020.

	Debt[1]	Cash[2]	**Net debt**	Loan to value[3]	Net debt to value[3]	Average interest rate	Fixed	Duration to loan expiry	Duration with extensions
30 June 2019	**£m**	£m	**£m**	%	%	%	%	Years	Years
Four Mall assets (Blackburn, Maidstone, Walthamstow, Wood Green)	**265.0**	(9.1)	**255.9**	66	64	3.61	100	5.4	6.1
Luton	**96.5**	(1.1)	**95.4**	83	82	3.14	100	3.5	3.5
Hemel Hempstead	**26.9**	(0.6)	**26.3**	97	95	3.38	100	2.6	2.6
Ilford	**39.0**	(1.0)	**38.0**	58	56	2.76	100	3.7	3.7
Group Cash	**-**	(67.2)	**(67.4)**	-	-	3.36	-	1.6[4]	1.6[4]
On balance sheet debt	**427.4**	(79.0)	**348.2**	70	57	3.41	95	4.5	4.9

[1] Excluding unamortised issue costs.
[2] Excluding cash beneficially owned by tenants.
[3] Debt and net debt divided by investment property at valuation.
[4] Relates to undrawn Revolving Credit Facility.

From the proceeds of the December 2019 equity raise the Group had earmarked £50 million to pay down debt and has to date only utilised £5 million of this sum, leaving a balance of £45 million (within the £67.2 million of Group cash included in the table above). The Group had previously been in discussions with lenders about utilising a proportion of the remaining funds to voluntarily pay down debt in the early part of the year, but when it became clear how significant the disruption caused by COVID-19 would be, we took the decision to place such discussions on hold and we have not, to date, made or committed to make any voluntary prepayments from central cash as part of our ongoing lender discussions with our lenders. Our priority at this time is to focus on defending our assets and ensuring the continued stability and therefore flexibility of the Group to respond to the volatility and acceleration in structural change in the sector.

While the progress made by the Group in getting over 96% of its units back trading has been encouraging, the general outlook clearly remains highly uncertain with risks of a second spike or second wave of infections coupled with the full macro-economic consequences of COVID-19 still unclear. In consideration of this, the Group has sought to maximise cash flexibility and prioritise the ability to continue in all reasonable circumstances to service the Group's operational costs, including interest on its loans, and to be able to judiciously invest further capital expenditure on its assets, where that is required for the long term protection of value and sustainability of income.

On this basis, the Group has been in discussions with its relevant lenders to manage its loan portfolio, with substantial focus on the impact that the COVID-19 disruption has had on both income and loan to value based covenants on the individual facilities.

On the Luton facility we are mindful that while the loan is not currently in default, the 30 June 2020 valuation is below the covenant levels and a breach would occur if this valuation were to be replicated when the lender next independently tests the valuation. We are in detailed discussions with the lender with a view to achieving a resetting of the loan covenants to provide stability to the asset beyond the short term.

The Hemel Hempstead loan was amended in 2019 to accommodate the planned cinema development. Given the impact and uncertainty that COVID-19 has caused to the cinema industry, we are considering alternative options for the asset. In parallel, we are advancing our discussions with the lender to consequently amend the loan to better reflect our emerging plans. In the meantime, we have agreed in principle with the lender (subject to documentation) that none of the covenants will be tested for the rest of 2020.

On the four Mall asset and Ilford facilities, we have agreed waivers of all income covenants that cover testing for the rest of 2020 and amendments, where required, so that when testing recommences in January 2021, the historic income tests only look back three months to exclude the Q2 and Q3 periods of 2020, which are anticipated at this stage to be those with the highest level of COVID-19 disruption. We are also advancing discussions with the lenders on the four Mall asset facility regarding a package of longer term covenant relaxation.

Going concern

Under the UK Corporate Governance Code, the Board needs to report whether the business is a going concern. In making its assessment of Going Concern the Group have considered specifically the impact on the business of the significant disruption arising from COVID-19. At the time of writing all of the Group's seven shopping centres are open with approximately 96% of units back up and trading. Rent collection for the third quarter of 2020 is so far running at 54% and we are in active discussions with all our retailer customers on the outstanding rents.

At 30 June 2020 the Group had total cash on balance sheet of approximately £80 million, which is equivalent to more than one year's gross revenue. Of this, £67 million was centrally held and free of any restrictions. This provides significant cash contingency to cover any disruption to operations for an extended period of time.

We have also undertaken actions to improve the preservation of cash within the business while this period of uncertainty persists. We have rationed capital expenditure projects to only those that immediately drive income improvements or are of strategic importance and have suspended the dividend until such time as markets stabilise.

In making its assessment of Going Concern, the Group has run updated group forecasts on both a base case and sensitised basis. In the latter the Group have considered the impact of a second lockdown occurring in Q4 2020 or Q1 2021 and driving an equivalent level of disruption to that experienced in Q2 and Q3 of 2020. The Group's analysis has shown the central cash maintained provides sufficient funds to cover this potential disruption.

The Group's four asset backed loan facilities each have covenants as outlined on page 41. Covenants in respect of minimum interest cover ratios, both projected and historic, are tested quarterly. We have secured waivers or deferrals for all income covenants for the rest of 2020 and temporary adjustments to the testing basis for when they resume in 2021, to mitigate the impact of the COVID-19 period of lockdown disruption. The earliest maturity on any of the Group's asset backed loan facilities is February 2023.

We are in discussions with the lenders on the Luton and Hemel Hempstead facilities seeking to agree appropriate amendments to these facilities. In respect of the four Mall asset and Ilford loan facilities, where the combined assets make up approximately 90% of the Group's Net Asset Value excluding cash, the central cash balance maintained by the Group at 30 June 2020 provides sufficient funds to remedy the loan to value covenants if values fell by more than 25% across these assets, and the Directors chose to take this approach, even without any further covenant relaxation. All of the Group's four asset backed facilities are non-recourse with no cross-default clauses and all facilities provide the Group with the opportunity to cure breaches of financial covenants.

In coming to its Going Concern assumption, the Group has also considered further options ultimately available to generate or conserve additional cash, including the potential disposal or divestment of assets – either in whole or part, as well as the opportunity to crystalise value on the Walthamstow residential development – and the ability to potentially issue new equity.

Having due regard to all of the above matters and after making appropriate enquiries including considerations of the impact of COVID-19 and sensitivities, 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.

Dividend

In light of the current level of uncertainty and desire to maximise cash flexibility, the Group has taken the decision to not declare an Interim Dividend and will maintain this position at least until markets stabilise. To maintain compliance with the minimum PID requirement of the REIT regime, the Group estimates that it needs to distribute £7.6 million before the end of December 2020. The Group has commenced correspondence with HMRC to request an extension to this deadline of at least six months and would expect this to be granted. In the event that such an extension is not granted and the Group does not pay any further dividends, then a tax liability estimated at £1.4 million would crystallise at 30 December 2020.

Outlook

While the current COVID-19 situation has placed pressure on leverage, we believe that the combination of the level of unrestricted central cash of more than £65 million, maintained from the recapitalisation of the Group in December 2019; the measures agreed with our lenders; and the focus on local centres offering non-discretionary goods and services, provide a sound base for navigating the short to medium term. We are now working to better understand the long term impact of the current uncertainties to determine the best approach for reducing debt levels and shaping the Group's future position to best capitalise on its strengths as an owner and manager of community shopping centres.

Principal risks and uncertainties

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

A detailed explanation of the principal risks and uncertainties was included on pages 27 to 31 of the Group's 2019 Annual Report. A further review was carried out for the 30 June 2020 half year. The pervasive impact of the COVID-19 pandemic has resulted in a re-profiling of risks with the following risks all being deemed to have increased in terms or likelihood and/or significance: investment market risk, economic environment risk, treasury risk, tax and regulatory risk, development risk, business disruption (including COVID-19 or other pandemics) risk, responsible business risk, and customer risk.

The ultimate nature of the risks has not however changed and therefore the principal risks to the Group remain those disclosed in the 2019 Annual Report. These have been summarised below.

- *Property investment market risks* - Weak economic conditions and poor sentiment in commercial real estate markets exacerbated by the impact of COVID-19 may lead to low investor demand and further declines in valuation. Small changes in property market yields can have a significant effect on property valuation and the impact of leverage could magnify the effect on the Group's net assets.

- *Impact of the economic environment* - A prolonged downturn in tenant demand driven by structural changes in retail and/or macro-economic factors could put further pressure on rent levels. Tenant failures and reduced tenant demand could adversely affect rental income revenues, lease incentive costs, void costs, available cash and the value of properties owned by the Group.

- *Treasury risk* - Inability to fund the business or to refinance existing debt on economic terms may result in the inability to meet financial obligations when due and put a limitation on financial and operational flexibility. Cost of financing could be prohibitive in the future. Breach of any loan covenants could cause default on debt and possible accelerated maturity. Unremedied breaches can trigger demand for immediate repayment of loans.

- *Tax risks* – Exposure to non-compliance with the REIT regime and changes in tax legislation or the interpretation of tax legislation or previous transactions could result in tax related liabilities and other losses arising. Exposure to changes in existing or forthcoming property related or corporate regulation could result in financial penalties or loss of business or credibility.

- *People* - The Group's business is partially dependent on the skills of a small number of key individuals. Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce the effectiveness with which the Group conducts its business.

- *Development risk* – There is a risk that where capital expenditure and development projects are undertaken, that delays and other issues may lead to increased cost and reputational damage. There is also the risk that planned realisation of value is not achieved, for example if the property cannot subsequently be sold for the anticipated amount or if tenants are not contracted on sufficiently attractive terms. Competing schemes may reduce footfall and reduce tenant demand for space and the levels of rents which can be achieved

- *Business disruption from a major incident* – The threat of a major incident, including the COVID-19 pandemic, impacting one or more of the Group's assets. There is a risk of financial losses if unable to trade or impacts upon shopper footfall and reputational and financial damage if business has or is perceived to have acted negligently

- *Responsible business risk* - Failure to act on environmental and social issues could lead to reputational damage, deterioration in relationships with customers and communities and limit investment opportunities. Failure to comply with regulations could result in financial exposure. Health and safety incidents could result in reputational damage, financial liability for the Group and potentially criminal liability for the directors.

- *Customers and changing consumer trends* – Changes in consumer shopping habits towards online purchasing and delivery and the increase of CVAs by retailers and other retailer restructurings may adversely impact footfall in shopping centres and potentially reduce tenant demand for space and the levels of rents which can be achieved.

- *Historical Transaction Risk* – The risk of issues or liabilities emerging from historical transactions most likely through warranties or indemnities provided in asset or business disposals.

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

Responsibility statement

The directors confirm that to the best of their knowledge:

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

By order of the Board

Lawrence Hutchings
Chief Executive
3 September 2020

Stuart Wetherly
Group Finance Director
3 September 2020

INDEPENDENT REVIEW REPORT TO CAPITAL & REGIONAL PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Emphasis of matter –material uncertainty related to investment property valuation

We draw attention to note 7, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the group's investment property portfolio. The pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date. Our conclusion is not modified in respect of this matter.

Use of our report

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

Deloitte LLP
Statutory Auditor
London, United Kingdom
3 September 2020

Condensed consolidated income statement

For the six months to 30 June 2020

	Note	**Unaudited Six months to 30 June 2020 £m**	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Continuing operations				
Revenue	3b, 4	**36.5**	45.2	88.9
Cost of sales		**(17.8)**	(17.5)	(35.3)
Gross profit		**18.7**	27.7	53.6
Administrative costs		**(5.4)**	(4.4)	(8.8)
Loss on revaluation of investment properties	3a, 7a	**(115.7)**	(63.0)	(138.6)
Other gains and losses		**1.6**	(1.6)	(1.5)
Transaction costs in association with Partial Offer and equity raise		**-**	-	(2.2)
Loss on ordinary activities before financing		**(100.8)**	(41.3)	(97.5)
Finance income		**0.3**	0.1	0.4
Finance costs		**(15.0)**	(14.2)	(23.9)
Loss before tax		**(115.5)**	(55.4)	(121.0)
Tax	5	**-**	-	-
Loss for the period		**(115.5)**	(55.4)	(121.0)
Basic earnings per share	6	**(111.0)p**	(76.3)p	(162.3)p
Diluted earnings per share	6	**(111.0)p**	(76.3)p	(162.3)p
EPRA basic earnings per share	6	**5.1p**	19.1p	35.0p
EPRA diluted earnings per share	6	**5.1p**	19.0p	35.0p

Comparative earnings per share figures have been multiplied by 10 to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

Condensed consolidated statement of comprehensive income

For the six months to 30 June 2020

	Unaudited six months to 30 June 2020 £m	Unaudited six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Loss for the period	**(115.5)**	(55.4)	(121.0)
Other comprehensive income	**-**	-	-
Total comprehensive income for the period	**(115.5)**	(55.4)	(121.0)

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

The EPRA alternative performance measures used throughout this report are industry best practice performance measures established by the European Public Real Estate Association. They are defined in the Glossary to the Condensed Financial Statements. EPRA Earnings and EPRA EPS are shown in Note 6 to the Condensed Financial Statements. EPRA net reinstatement value, net tangible assets and net disposal value are shown in Note 12 to the Condensed Financial Statements.

Condensed consolidated balance sheet

At 30 June 2020

	Note	**Unaudited 30 June 2020 £m**	Audited 30 December 2019 £m
Non-current assets			
Investment properties	7	**657.2**	770.9
Plant and equipment		**2.5**	2.2
Right of use assets		**13.3**	-
Fixed asset investments		**0.8**	1.2
Receivables	8	**12.6**	14.7
Total non-current assets		**686.4**	789.0
Current assets			
Receivables	8	**28.3**	15.4
Cash and cash equivalents	9	**82.1**	95.9
Total current assets		**110.4**	111.3
Total assets		**796.8**	900.3
Current liabilities			
Trade and other payables		**(33.8)**	(35.7)
Total current liabilities		**(33.8)**	(35.7)
Net current assets		**76.6**	75.6
Non-current liabilities			
Bank loans	10	**(423.4)**	(422.8)
Other payables		**(9.0)**	(5.2)
Obligations under finance leases		**(75.1)**	(61.5)
Total non-current liabilities		**(507.5)**	(489.5)
Total liabilities		**(541.3)**	(525.2)
Net assets		**255.5**	375.1
Equity			
Share capital		**11.2**	10.4
Share premium		**244.3**	238.0
Other reserves		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Own shares held		**-**	-
Retained (deficit)/earnings		**(64.7)**	62.0
Equity shareholders' funds		**255.5**	375.1
Basic net assets per share	12	**228.5p**	361.1p
EPRA net reinstatement value per share	12	**235.9p**	363.5p
EPRA net tangible assets per share	12	**235.9p**	363.5p
EPRA net disposal value per share	12	**217.3p**	355.93p

Comparative per share figures have been multiplied by 10 to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

Condensed consolidated statement of changes in equity

For the six months to 30 June 2020

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Own shares held	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 30 December 2018 (Audited)	**7.3**	**166.5**	**60.3**	**4.4**	**-**	**194.5**	**433.0**
Loss for the period	-	-	-	-	-	(55.4)	(55.4)
Other comprehensive result for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	**(55.4)**	**(55.4)**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Dividends paid, net of Scrip	-	-	-	-	-	(4.4)	(4.4)
Balance at 30 June 2019 (unaudited)	**7.3**	**166.5**	**60.3**	**4.4**	**-**	**135.2**	**373.7**
Loss for the period	-	-	-	-	-	(65.6)	(65.6)
Other comprehensive result for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	**-**	**(65.6)**	**(65.6)**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	(0.4)	(0.4)
Dividends paid, net of Scrip	-	-	-	-	-	(7.2)	(7.2)
Shares issued, net of costs	3.1	71.5	-	-	-	-	74.6
Balance at 30 December 2019 (Audited)	**10.4**	**238.0**	**60.3**	**4.4**	**-**	**62.0**	**375.1**
Loss for the period	-	-	-	-	-	(115.5)	(115.5)
Other comprehensive result for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	**(115.5)**	**(115.5)**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.2	0.2
Dividends paid, net of scrip (note 15)	-	-	-	-	-	(4.3)	(4.3)
Shares issued, net of costs	0.8	6.3	-	-	-	(7.1)	-
Balance at 30 June 2020 (unaudited)	**11.2**	**244.3**	**60.3**	**4.4**	**-**	**(64.7)**	**255.5**

Condensed consolidated cash flow statement

For the six months to 30 June 2020

	Note	**Unaudited Six months to 30 June 2020 £m**	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Operating activities				
Net cash from operations[1]	11	**(4.0)**	17.9	37.5
Distributions received from investments including German B-note		**1.6**	0.6	2.3
Interest paid		**(7.2)**	(7.3)	(14.8)
Interest received		**0.1**	-	0.2
Cash flows from operating activities		**(9.5)**	11.2	25.2
Investing activities				
Disposals	7a	**5.0**	-	-
Purchase of plant and equipment		**(0.3)**	(0.1)	(0.7)
Capital expenditure on investment properties		**(5.7)**	(7.3)	(12.7)
Cash flows from investing activities		**(1.0)**	(7.4)	(13.4)
Financing activities				
Dividends paid (net of Scrip) including withholding tax		**(3.3)**	(5.6)	(11.6)
Bank loans repaid		**-**	-	(11.0)
Issue of ordinary shares		**-**	-	74.7
Loan arrangement costs		**-**	-	-
Cash flows from financing activities		**(3.3)**	(5.6)	52.1
Net decrease in cash and cash equivalents		**(13.8)**	(1.8)	63.9
Cash and cash equivalents at the beginning of the period		**95.9**	32.0	32.0
Cash and cash equivalents at the end of the period	9	**82.1**	30.2	95.9

[1] Net cash from operations includes 5.2m received from insurers in relation to claims resulting from the fire at The Mall Walthamstow in 2019.

Notes to the condensed financial statements
For the six months to 30 June 2020

1 General information

The comparative information included for the year ended 30 December 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group's financial performance is not materially impacted by seasonal fluctuations.

2 Accounting policies

Basis of preparation
The annual financial statements of Capital & Regional plc are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The financial statements are prepared in GBP being the functional currency of the Group. The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.096 (30 June 2019: £1 = €1.115; 31 December 2019: £1 = €1.765)
Income statement: £1 = €1.139 (30 June 2019: £1 = €1.144; 31 December 2019: £1 = €1.1403).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payments that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability.

The Half-Year Report was approved by the Board on 4 September 2020.

Going concern
The Group prepares cash flow and covenant compliance forecasts to demonstrate that it has adequate resources available to continue in operation for the foreseeable future, being at least 12 months from the date of this report. In these forecasts the directors specifically consider anticipated future market conditions and the Group's principal risks and uncertainties. Detailed information on the Group's financing position is contained within the Financial Review with additional details of the Group's cash position and borrowing facilities provided in notes 9 and 10 of the condensed financial statements.

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

Key sources of estimation uncertainty
The preparation of financial statements requires the Directors to make estimates that may affect the reported amounts of assets and liabilities, income and expenses. The key sources of estimation uncertainty are as reported in the annual audited financial statements for the year ended 30 December 2019 with the exception of those below:

Property valuation
The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. We are now in a phase of the valuation cycle where there is persistent negative sentiment and low transactional evidence as such greater judgement has been applied.

The investment property valuation contains a number of assumptions upon which the valuation of the Group's properties as at 30 June 2020 was based. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, the condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised April 2015).

As at the valuation date, the external valuers consider that as a result of the pervasive impact of Covid-19 they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that external valuers are faced with an unprecedented set of circumstances on which to base a judgment. The valuations across most asset classes are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations provided than would normally be the case. The external valuers have confirmed, the inclusion of the "material valuation uncertainty" declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case.

If the assumptions upon which the valuation was based prove to be inaccurate, this may have an impact on the value of the Group's investment properties, which could in turn have an effect on the Group's financial position and results. Note 7c provides sensitivity analysis estimating the impact that changes in the estimated rental values or equivalent yields would have on the Group's property valuations.

Increase in credit risk
When measuring expected credit loss the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Due to the impact of Covid 19 on collection rates, there has been a significant increase in our assessed credit risk. Probability of default constitutes a key input in measuring expected credit losses (ECL). Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Change in accounting policies
The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in the notes to the Group's annual financial statements for the year ended 30 December 2019. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The following new standard has come into effect for the group in the current year.

IFRS 16 Leases
The group has recognised, on the balance sheet, an asset for its lease of office premises and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites, along with a corresponding liability. The total increase in both assets and liabilities is £14.4 million and a corresponding interest and amortisation expense of £0.3 million and £1.1 million respectively. This has been adopted on the modified retrospective basis therefore no adjustment has been made to opening reserves or comparatives. The key assumptions used to arrive at this are:

- A discount rate of 3.92% for the support office and 4.04% for Snozone leases based on the incremental borrowing rate representing the rate applicable in order to borrow to purchase similar assets
- The interest rate has been determined using the effective interest rate

The right of use assets are amortised on a straight line basis over the length of each lease. To assess for impairment of the right of use asset the directors have considered whether the group can reasonably expect to recover the costs of each lease through operation. No indication of impairment has been deemed to exist.

3 Operating segments

3a Operating segment performance

The Group's reportable segments under IFRS 8 are Shopping Centres, Snozone and Group/Central. UK Shopping Centres consists of the shopping centres at Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green. Group/Central includes management fee income, Group overheads incurred by Capital & Regional Property Management, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

The Shopping Centres segment derives its 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.

		Shopping Centres	Snozone	Group/ Central	**Total**
Six months to 30 June 2020 (Unaudited)	Note	£m	£m	£m	**£m**
Rental income from external sources	3b	26.1	-	-	**26.1**
Property and void costs		(9.9)	-	-	**(9.9)**
Net rental income		16.2	-	-	**16.2**
Net interest expense		(9.4)	(0.3)	0.2	**(9.5)**
Snozone income/Management fees[1]	3b	-	3.4	1.2	**4.6**
Snozone/Management expenses		-	(2.4)	(2.9)	**(5.3)**
Investment income		-	-	-	**-**
Depreciation		-	(1.1)	(0.2)	**(1.3)**
Variable overhead (excluding non-cash items)		-	-	(0.1)	**(0.1)**
Tax charge		-	-	-	**-**
Adjusted Profit		6.8	(0.4)	(1.8)	**4.6**
Revaluation of properties		(115.7)	-	-	**(115.7)**
Profit on disposal		0.4	-	-	**0.4**
Loss on financial instruments		(5.5)	-	-	**(5.5)**
Share-based payments		-	-	(0.2)	**(0.2)**
Other items		-	-	0.9	**0.9**
Loss		(114.0)	(0.4)	(1.1)	**(115.5)**
Total assets	3b	712.9	15.4	68.5	**796.8**
Total liabilities	3b	(524.5)	(15.2)	(1.6)	**(541.3)**
Net assets		188.4	0.2	66.9	**255.5**

[1] Asset management fees of £0.8 million charged from the Group's Capital & Regional Property Management entity to the Shopping Centre segment have been excluded from the table above.

3 Operating segments (continued)

3a Operating segment performance

Six months to 30 June 2019 (Unaudited)	Note	Shopping Centres £m	Snozone £m	Group/ Central £m	**Total £m**
Rental income from external sources	3b	31.7	-	-	**31.7**
Property and void costs		(6.5)	-	-	**(6.5)**
Net rental income		25.2	-	-	**25.2**
Net interest expense		(9.4)	-	-	**(9.4)**
Snozone income/Management fees[1]	3b	-	5.5	1.2	**6.7**
Snozone/Management expenses		-	(4.4)	(2.9)	**(7.3)**
Investment income		-	-	0.1	**0.1**
Depreciation		-	(0.1)	(0.1)	**(0.2)**
Variable overhead (excluding non-cash items)		-	-	(0.3)	**(0.3)**
Tax charge		-	-	-	**-**
Adjusted Profit		15.8	1.0	(2.0)	**14.8**
Revaluation of properties		(63.0)	-	(1.3)	**(64.3)**
Loss on disposal		-	-	(0.2)	**(0.2)**
Loss on financial instruments		(4.9)	-	-	**(4.9)**
Share-based payments		-	-	(0.5)	**(0.5)**
Other items		-	-	(0.3)	**(0.3)**
(Loss)/profit		(52.1)	1.0	(4.3)	**(55.4)**
Total assets	3b	895.7	2.7	9.9	**908.3**
Total liabilities	3b	(529.1)	(1.4)	(4.1)	**(534.6)**
Net assets		366.6	1.3	5.8	**373.7**

[1] Asset management fees of £1.8 million charged from the Group's Capital & Regional Property Management entity to the Shopping Centre segment have been excluded from the table above.

3 Operating segments (continued)

3a Operating segment performance

Year to 30 December 2019 (Audited)	Note	Wholly-owned assets £m	Snozone £m	Group/ Central £m	**Total £m**
Rental income from external sources	3b	63.0	-	-	**63.0**
Property and void costs		(13.7)	-	-	**(13.7)**
Net rental income		49.3	-	-	**49.3**
Net interest expense		(18.9)	-	-	**(18.9)**
Snozone income/Management fees[1]	3b	-	10.5	2.3	**12.8**
Management expenses		-	(8.7)	(6.0)	**(14.7)**
Investment income		-	-	0.2	**0.2**
Depreciation		-	(0.3)	(0.2)	**(0.5)**
Variable overhead (excluding non-cash items)		-	-	(0.8)	**(0.8)**
Tax charge		-	-	-	**-**
Adjusted Profit		30.4	1.5	(4.5)	**27.4**
Revaluation of properties		(138.6)	-	(1.4)	**(140.0)**
Loss on disposal		-	-	(0.5)	**(0.5)**
Loss on financial instruments		(5.0)	-	-	**(5.0)**
Share-based payments		-	-	(0.1)	**(0.1)**
Transaction costs on issue of new equity		-	-	(2.2)	**(2.2)**
Other items		-	-	(0.6)	**(0.6)**
(Loss)/profit		(113.2)	1.5	(9.3)	**(121.0)**
Total assets	3b	820.0	3.9	76.4	**900.3**
Total liabilities	3b	(514.6)	(2.0)	(8.6)	**(525.2)**
Net assets		305.4	1.9	67.8	**375.1**

[1] Asset management fees of £3.4 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.

3b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	**Unaudited Six months to 30 June 2020 £m**	Unaudited Six months 30 June 2019 £m	Audited Year to 30 December 2019 £m
Rental income from external sources including associates	3a	**26.1**	31.7	63.0
Service charge income		**6.6**	7.5	14.6
Management fees	3a	**1.2**	1.2	2.3
Snozone income	3a	**3.4**	5.5	10.5
Revenue for reportable segments		**37.3**	45.9	90.4
Elimination of inter-segment revenue		**(0.8)**	(0.7)	(1.5)
Revenue per consolidated income statement		**36.5**	45.2	88.9

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

3 Operating segments (continued)

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

Balance sheet	Note	**Unaudited Six months to 30 June 2020 £m**	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Total assets of reportable segments	3a	**796.8**	908.3	900.3
Adjustment for associates and joint ventures		**-**	-	-
Group assets		**796.8**	908.3	900.3
Total liabilities of reportable segments	3a	**(541.3)**	(534.6)	(525.2)
Adjustment for associates and joint ventures		**-**	-	-
Group liabilities		**(541.3)**	(534.6)	(525.2)
Net assets by country				
UK		**254.7**	373.7	375.8
Germany		**0.8**	-	(0.7)
Net assets by country		**255.5**	373.7	375.1

4 Revenue

Statutory	Note	**Unaudited Six months to 30 June 2020 £m**	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Gross rental income		**22.6**	25.3	49.6
Car park and other ancillary income		**3.5**	6.4	13.4
Rental income from external sources		**26.1**	31.7	63.0
Service charge income		**6.6**	7.5	14.6
External management fees		**0.4**	0.5	0.8
Snozone income	3a	**3.4**	5.5	10.5
Revenue per consolidated income statement – continuing operations	3b	**36.5**	45.2	88.9

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

5 Tax

Tax charge	**Unaudited Six months to 30 June 2020 £m**	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
UK corporation tax	**-**	-	-
Adjustments in respect of prior years	**-**	-	-
Total current tax charge	**-**	-	-
Deferred tax	**-**	-	-
Total tax charge	**-**	-	-

5 Tax (continued)

Tax charge reconciliation	**Unaudited Six months to 30 June 2020 £m**	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Loss before tax on continuing operations	**(115.5)**	(55.4)	(121.0)
Loss multiplied by the UK corporation tax rate of 19% (30 June 2019 and 30 December 2019: 19%)	**(21.9)**	(10.5)	(23.0)
REIT exempt income and gains	**21.8**	10.3	22.2
Non-allowable expenses and non-taxable items	**0.2**	0.3	0.6
(Utilisation of tax losses)/Excess tax losses	**(0.1)**	(0.1)	0.2
Total tax charge – continuing operations	**-**	-	-

On 17 March 2020, the Finance Act 2020 was substantively enacted confirming that the main UK corporation tax rate will be 19% from 1 April 2020 and that it will remain at 19% for the year from 1 April 2021. Consequently the UK corporation tax rate at which deferred tax is booked in the financial statements is 19% (2019:17%).

The Group has recognised a deferred tax asset of £nil (30 December 2019: £nil). 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 £19.9 million (30 December 2019: £18.3 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future taxable profit streams and other reasons which may restrict the utilisation of the losses (30 December 2019: £nil). The Group has unused capital losses of £24.9 million (30 December 2019: £24.9 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.

A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. The Group has a balance of approximately £7.6 million to pay in distributions before the end of 2020 in order to meet its REIT distribution requirements for the financial year ending 2019. The Group has commenced discussions with HMRC in seeking an extension to this deadline given the impact and uncertainties caused to the Group's business by COVID-19. If the Group were to not be granted an extension and not meet the minimum requirement then under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent whilst remaining a REIT. We estimate that this would result in a tax payment of approximately £1.4 million being required to be paid at the end of 2020.

6 Earnings per share

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

		Six months to 30 June 2020 (unaudited)			Six months to 30 June 2019 (unaudited)			Year to 30 December 2019(audited)		
	Note	**Loss**	**EPRA**	**Adjusted Profit**	Loss	EPRA	Adjusted Profit	Loss	EPRA	Adjusted Profit
Profit (£m)										
(Loss)/profit for the year		**(115.5)**	**(115.5)**	**(115.5)**	(55.4)	(55.4)	(55.4)	(121.0)	(121.0)	(121.0)
Revaluation loss on investment properties (net of tax)	3a	**-**	**115.7**	**115.7**	-	64.3	64.3	-	140.0	140.0
(Profit)/loss on disposal (net of tax)	3a	**-**	**(0.4)**	**(0.4)**	-	0.2	0.2	-	0.5	0.5
Transaction costs on issue of new equity		**-**	**-**	**-**	-	-	-		2.2	2.2
Changes in fair value of financial instruments	3a	**-**	**5.5**	**5.5**	-	4.9	4.9	-	5.0	5.0
Share-based payments	3a	**-**	**-**	**0.2**	-	-	0.5	-	-	0.1
Other items		**-**	**-**	**(0.9)**	-	(0.1)	0.3		(0.3)	0.6
(Loss)/Profit		**(115.5)**	**5.3**	**4.6**	(55.4)	13.9	14.8	(121.0)	26.4	27.4
Earnings per share		**(111.0)p**	**5.1p**	**4.4p**	(76.3)p	19.1p	20.4p	(162.3)p	35.4p	36.7p
Diluted earnings per share		**(111.0)p**	**5.1p**	**4.4p**	(76.3)p	19.0p	20.2p	(162.3)p	35.4p	36.7p

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

Comparative per share figures have been multiplied by 10 to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

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6 Earnings per share (continued)

Weighted average number of shares (m)	**Six months to 30 June 2020 (Unaudited)**	Six months to 30 June 2019 (Unaudited)	Year to 30 December 2019 (Audited)
Ordinary shares in issue	**104.1**	726.4	746.2
Own shares held	**-**	(0.2)	(0.6)
Basic	**104.1**	726.2	745.6
Dilutive contingently issuable shares and share options	**0.3**	5.2	3.3
Diluted	**104.4**	731.4	748.9

At the end of the period, the Group had 0.3 million (30 December 2019: 1.0 million) additional share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute basic earnings per share in the future but which have not been included in the calculation because they are not dilutive or the performance conditions for vesting were not met based on the position at 30 June 2020.

Headline earnings per share

Headline earnings per share has been calculated and presented as required by the Johannesburg Stock Exchange Listings Requirements.

	Six months to 30 June 2020 (Unaudited)		Six months to 30 June 2019 (Unaudited)		Year to 30 December 2019 (Audited)	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Profit (£m)						
Profit for the period		**(115.5)**		(55.4)		(121.0)
Revaluation of investment properties (net of tax)		**115.7**		64.3		140.0
Loss on disposal of investment properties (net of tax)		**(0.4)**		0.2		0.5
Transaction costs on issue of new equity		**-**		-		2.2
Other items		**-**		(0.1)		(0.3)
Headline earnings		**(0.2)**		9.0		21.4
Weighted average number of shares (m)						
Ordinary shares in issue	**104.1**	**104.1**	726.4	726.4	746.2	746.2
Own shares held		**-**		(0.2)		(0.6)
Dilutive contingently issuable shares and share options		**0.3**		5.2		3.3
		104.4		731.4		748.9
Headline Earnings per share		**0.2p**		12.3p		28.6p

Comparative per share figures have been multiplied by 10 to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

7 Investment properties

7a Wholly-owned properties

	Freehold investment properties £m	Leasehold investment properties £m	**Total property assets £m**
Cost or valuation			
At 30 December 2019 (Audited)	379.0	391.9	**770.9**
Disposal	(4.6)	-	**(4.6)**
Capital expenditure	3.0	3.6	**6.6**
Valuation deficit	(56.6)	(59.1)	**(115.7)**
At 30 June 2020 (Unaudited)	**320.8**	**336.4**	**657.2**

During the year a piece of land at Wood Green was sold with a value of £4.6m for a profit of £0.4m.

7 Investment properties (continued)

7b Property assets summary

	Unaudited 30 June 2020 £m	Audited 30 December 2019 £m
Wholly-owned investment properties at fair value	**611.3**	727.1
Head leases treated as finance leases on investment properties	**61.2**	61.5
Unamortised tenant incentives on investment properties	**(15.3)**	(17.7)
IFRS Property Value	**657.2**	770.9

7c Valuations

External valuations were carried out on all of the property assets detailed in the table above. The valuations at 30 June 2020 were carried out by independent qualified professional valuers from CBRE Limited and Knight Frank LLP in accordance with RICS standards. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations.

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

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

	Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25bps change in equivalent yield		Impact on valuations of 50bps change in equivalent yield	
	Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
Wholly-owned assets	26.0	(25.0)	(20.9)	22.7	(40.4)	47.2

	Impact on valuations of 100bps change in equivalent yield	
	Increase £m	Decrease £m
Wholly-owned assets	(76.2)	102.2

The Covid 19 pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date, therefore, as at the valuation date, the external valuers consider that as a result of the pervasive impact of Covid-19 they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that external valuers are faced with an unprecedented set of circumstances on which to base a judgment. The valuations across all asset classes are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations provided than would normally be the case. The external valuers have confirmed, the inclusion of the "material valuation uncertainty" declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case. Additional detail regarding valuation judgements taken can be found in the financial review on page 9.

8 Receivables

	Unaudited 30 June 2020 £m	Audited 30 December 2019 £m
Amounts falling due after one year:		
Non-financial assets		
Unamortised tenant incentives	**3.5**	**4.5**
Unamortised rent free periods	**9.1**	**10.2**
	12.6	**14.7**
Amounts falling due within one year:		
Financial assets		
Trade receivables (net of allowances)	**17.4**	**6.5**
Other receivables	**4.3**	**1.3**
Accrued income	**0.9**	**1.1**
Non-derivative financial assets	**22.6**	**8.9**
Non-financial assets		
Prepayments	**3.0**	**3.5**
Unamortised tenant incentives	**0.8**	**1.2**
Unamortised rent free periods	**1.9**	**1.8**
	28.3	**15.4**

The creation and release of credit loss allowances have been included in cost of sales in the income statement.

Credit losses are calculated at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The group writes off a trade receivable when there is information indicating that there is no realistic prospect of recovery. Changes in expected credit loss allowance arise from increase in calculated expected credit loss, as well as amounts written off.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

8 Receivables (continued)

	Not past due	1-30 days	31-60 days	61-90 days	>90 days	Total
30 June 2020 (Unaudited)						
Expected credit loss rate (%)	4.6	11.0	14.0	46.0	30.3	18.2[1]
Estimated total gross carrying amount at default (£'m)	6.2	9.3	0.2	2.7	6.3	24.7
Lifetime ECL (£'m)	(0.3)	(1.0)	-	(1.3)	(1.9)	(4.5)
Adjustment for forward looking estimate					(3.9)	(3.9)
Total expected credit loss	**(0.3)**	**(1.0)**	**-**	**(1.3)**	**(5.8)**	**(8.4)**
30 December 2019 (Audited)						
Expected credit loss rate (%)	2.6	6.1	7.2	39.5	28.0	12.3[1]
Estimated total gross carrying amount at default (£'m)	3.7	2.2	0.1	0.3	2.7	9.0
Lifetime ECL (£'m)	(0.1)	(0.1)	-	(0.1)	(0.8)	(1.1)
Adjustment for forward looking estimate					(0.3)	(0.3)
Total expected credit loss	**(0.1)**	**(0.1)**	**-**	**(0.1)**	**(1.1)**	**(1.4)**

[1] This represents the total lifetime expected credit loss as a percentage of total group receivables

9 Cash and cash equivalents

	Unaudited 30 June 2020 £m	Audited 30 December 2019 £m
Cash at bank	**79.2**	90.5
Restricted security disposals held in rent accounts	**0.6**	0.7
Other restricted balances	**2.3**	4.7
Total cash and cash equivalents	**82.1**	95.9

10 Borrowings

Summary of borrowings
The Group's borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Details of financial covenants are disclosed in financial review on page 9.

Borrowings at amortised cost	**Unaudited 30 June 2020 £m**	Audited 30 December 2019 £m
Secured		
Fixed and swapped bank loans	**427.4**	427.4
Total secured borrowings before costs	**427.4**	427.4
Unamortised issue costs	**(4.0)**	(4.6)
Total borrowings after costs	**423.4**	422.8
Analysis of total borrowings after costs		
Current	**-**	-
Non-current	**423.4**	422.8
Total borrowings after costs	**423.4**	422.8

The fair value of total borrowings before costs as at 30 June 2020 was £415.3 million (30 December 2019: £422.8 million).

Undrawn committed facilities

	Unaudited 30 June 2020 £m	Audited 30 December 2019 £m
Expiring between two and five years	**22.0**	**22.0**
Expiring greater than five years	**-**	**-**

The group's revolving credit facility and the Hemel Hempstead capital expenditure facility were both undrawn at 30 June 2020 and 30 December 2019.

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

10 Borrowings (continued)

Interest rate and currency profile of borrowings

	Note	**Unaudited 30 June 2020 £m**	Audited 30 December 2019 £m
Fixed and swapped rate borrowings			
Between 2% and 3%		**39.0**	**39.0**
Between 3% and 4%		**388.4**	**388.4**
		427.4	**427.4**
Variable rate borrowings		**-**	**-**
		427.4	**427.4**

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

	Unaudited 30 June 2020 £m	Audited 30 December 2019 £m
Interest rate swaps	**(8.9)**	(3.4)
	(8.9)	(3.4)

11 Notes to the cash flow statement

	Unaudited Six months to 30 June 2020 £m	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Loss for the period	**(115.5)**	(55.4)	(121.0)
Adjusted for:			
Finance income	**(0.3)**	-	(0.4)
Finance expense	**9.5**	14.2	23.9
Loss on financial instruments	**5.5**	-	-
Finance lease costs	**(2.5)**	(1.4)	(3.4)
Loss on revaluation of wholly-owned properties	**115.7**	63.0	138.6
Share of loss in associates and joint ventures	**-**	-	-
Depreciation of other fixed assets	**1.3**	0.1	0.5
Other gains and losses	**(1.6)**	1.6	2.7
Increase in receivables	**(20.1)**	(3.3)	(0.4)
Increase / (decrease) in expected credit loss	**7.0**	-	-
Decrease in payables	**(3.2)**	(1.4)	(3.1)
Non-cash movement relating to share-based payments	**0.2**	0.5	0.1
Net cash from operations	**(4.0)**	17.9	37.5

12 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. On 24 October 2019 EPRA published an update to their guidelines including three new net asset metrics to replace the previous triple net asset and net asset measures. These new metrics are also shown below:

	Unaudited 30 June 2020			Audited 30 December 2019
	Net assets	**Number of shares**	**Net assets per share**	Net assets per share
	£m	**million**		
Basic net assets	**255.5**	**111.8**	**228.5p**	361.1p
Own shares held	**-**	**-**		
Dilutive contingently issuable shares and share options	**-**	**0.3**		
Fair value of fixed rate loans (net of tax)	**(11.9)**	**-**		
EPRA triple net assets	**243.6**	**112.1**	**217.3p**	355.9p
Exclude fair value of fixed rate loans (net of tax)	**11.9**			
Exclude fair value of see-through interest rate derivatives	**8.9**			
Exclude deferred tax on unrealised gains/capital allowances	**-**			
EPRA net assets	**264.4**	**112.1**	**235.9p**	363.5p

	Unaudited 30 June 2020		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**
IFRS Equity attributable to shareholders	**255.5**	**255.5**	**255.5**
Exclude fair value of financial instruments	8.9	8.9	-
Include fair value of fixed interest rate debt	-	-	(11.9)
Net asset value	**264.4**	**264.4**	**243.6**
Fully diluted number of shares	112.1	112.1	112.1
Net asset value per share	**235.9p**	**235.9p**	**217.3p**

The number of ordinary shares issued and fully paid at 30 June 2020 was 111,819,639 (30 December 2019: 103,884,025 following adjustment for the 10:1 share consolidation completed on 15 January 2020). There have been no changes to the number of shares from 30 June 2020 to the date of this announcement.

Comparative per share figures have been multiplied by 10 to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

13 Return on equity

	Unaudited Six months to 30 June 2020 £m	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Total comprehensive income attributable to equity shareholders	**(115.5)**	(55.4)	(121.0)
Opening equity shareholders' funds plus time weighted additions	**375.1**	433.0	437.5
Return on equity	**(30.8%)**	(12.8)%	(27.7)%

14 Related party transactions

There have been no material changes to, or material transactions with, related parties as described in note 30 of the annual audited financial statements for the year ended 30 December 2019.

15 Dividends

	Unaudited Six months to 30 June 2020 £m	Unaudited Six months to 30 June 2019 £m	Audited Year to 30 December 2019 £m
Final dividend per share for year ended 30 December 2018 of 0.60p	**-**	4.4	4.4
Interim dividend per share paid for year ended 30 December 2019 of 1.0p	**-**	-	7.2
Final dividend per share for year ended 30 December 2019 of 11p per 10p shares (this is equivalent to 1.1p per old 1p shares)	**11.4**	-	
Amounts recognised as distributions to equity holders in the period	**11.4**	4.4	11.6

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

16 Capital commitments

At 30 June 2020, the Group's share of the capital commitments of its associates, joint ventures and wholly-owned properties was £3.9 million (30 December 2019: £4.0 million) relating to capital expenditure projects.

Glossary of terms

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

Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held.

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

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

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.

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

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

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.

CVA Company Voluntary Arrangement

Debt is borrowings, excluding unamortised issue costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REIT – Real Estate Investment Trust.

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

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

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

Temporary lettings are those lettings for one year or less.

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

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

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

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

EPRA performance measures (Not subject to review opinion)

	30 June 2020	30 June 2019	30 December 2019
EPRA earnings (£m)	**5.3**	**13.9**	26.4
EPRA earnings per share (diluted)	**5.1p**	**19.0p**	35.0p
EPRA reinstatement value (£m)	**264.4**	**377.2**	378.6
EPRA net reinstatement value per share	**236p**	**520p**	364p
EPRA net tangible assets (£m)	**264.4**	**377.2**	378.6
EPRA net tangible assets per share	**236p**	**520p**	364p
EPRA net disposal value (£m)	**243.6**	**478.5**	370.7
EPRA net disposal value per share	**217p**	**660p**	356p

EPRA Cost ratios

	30 June 2020	30 June 2019	30 December 2019
	£m	£m	£m
Cost of sales (adjusted for IFRS head lease differential)	**18.5**	**17.8**	**36.0**
Administrative costs	**5.4**	**4.4**	**8.8**
Service charge income	**(6.6)**	**(7.5)**	**(14.6)**
Management fees	**(0.4)**	**(0.5)**	**(0.8)**
Snozone (indoor ski operation) costs	**(3.5)**	**(4.5)**	**(9.0)**
Share of joint venture & associate expenses	**-**	**-**	**-**
Less inclusive lease costs recovered through rent	**(1.0)**	**(1.2)**	**(2.0)**
EPRA costs (including direct vacancy costs)	**12.4**	**8.5**	**18.4**
Direct vacancy costs	**(1.6)**	**(1.3)**	**(3.3)**
EPRA costs (excluding direct vacancy costs)	**10.8**	**7.2**	**15.1**
Gross rental income	**26.1**	**31.7**	**63.0**
Less ground rent costs	**(1.0)**	**(1.4)**	**(2.8)**
Share of joint venture & associate gross rental income less ground rent costs	**-**	**-**	**-**
Less inclusive lease costs recovered through rent	**(1.0)**	**(1.2)**	**(2.0)**
Gross rental income	**24.1**	**29.1**	**58.2**
EPRA cost ratio (including direct vacancy costs)	**51.5%**	**29.2%**	**31.6%**
EPRA cost ratio (excluding vacancy costs)	**44.8%**	**24.7%**	**25.9%**

Asset portfolio information (Not subject to review opinion)

At 30 June 2020

Physical data	
Number of properties	7
Number of lettable units	757
Lettable space (sq feet – million)	3.5
Valuation data	
Properties at independent valuation (£m)	611.3
Adjustments for head leases and tenant incentives (£m)	45.9
Properties as shown in the financial statements (£m)	**657.2**
Initial yield (%)	7.2
Equivalent yield (%)	8.1
Reversion (%)	2.9
Loan to value ratio (%)	70
Net debt to value ratio (%)	57
Lease length (years)	
Weighted average lease length to break (years)	4.0
Weighted average lease length to expiry (years)	5.9
Passing rent (£m) of leases expiring in:	
Six months to 30 December 2020	7.2
Year to 30 December 2021	5.3
Three years to 30 December 2024	14.2
ERV (£m) of leases expiring in:	
Six months to 30 December 2020	6.8
Year to 30 December 2021	5.4
Three years to 30 December 2024	12.5
Passing rent (£m) subject to review in:	
Six months to 30 December 2020	3.6
Year to 30 December 2021	3.3
Three years to 30 December 2024	7.8
ERV (£m) of passing rent subject to review in:	
Six months to 30 December 2020	3.2
Year to 30 December 2021	3.0
Three years to 30 December 2024	7.9
Rental Data	
Contracted rent at period end (£m)	58.3
Passing rent at period end (£m)	57.1
ERV at period end (£m per annum)	58.8
Occupancy rate (%)	97.3

Covenant information *(Not subject to review opinion)*

	Borrowings **£m**	Covenant[1]	30 June 2020	Future changes
Core revolving credit facility (100%) - undrawn				
Net Assets	-	No less than £250m	£255.5m	
Gearing		No greater than 1.6:1	1.4:1	
Historic interest cover		No less than 200%	297%	
4 Mall assets (100%)				
Loan to value[2]	265.0	No greater than 70%	66%	
Historic interest cover (12m)[5]		No less than 175%	244%[5]	
A projected interest cover test also applies at a covenant level of no less than 150%				
Luton (100%)				
Loan to value[2]	96.5	No greater than 80%[3]	83%[3]	Covenant, 70% from 1 October 2020, 65% from January 2022
Debt yield[5]		No less than 8%	10%[5]	
Historic interest cover (12m)[5]		No less than 250%	339%[5]	
A projected interest cover test also applies at a covenant level of no less than 200%				
Hemel Hempstead (100%)				
Loan to value[4]	26.9	No greater than 60%	43%	
Historic interest cover (3m)		No less than 150%	143%[6]	
A projected interest cover test also applies at a covenant level of no less than 200%. The historic interest cover is relaxed for 18 months and debt to net rent covenant waived for 27 months while the development of the Cinema is undertaken.				
Ilford (100%)				
Loan to value[2]	39.0	No greater than 70%	50%	
Historic interest cover (3m)[5]		No less than 225%	128%[5]	
A projected interest cover test also applies at a covenant level of no less than 225%				

[1] Covenants quoted are the default covenant levels. The facilities typically also have cash trap mechanisms.
[2] Calculated using 30 June 2020 valuations. Actual bank covenant based on bank valuations updated periodically.
[3] Cash trap covenant waived and default covenant increased to 80% until 30 September 2020 (reverts to 65% and 70% respectively thereafter).
[4] Covenant assessed on current loan drawn to projected Gross Development Value of scheme with leisure development.
[5] Covenant waived for July 2020 and October 2020 test dates
[6] Cured by payment of £17k