5 March 2020

Capital & Regional plc

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

Full Year Results to 30 December 2019

Capital & Regional (LSE: CAL), the UK focused REIT with a portfolio of dominant in-town community shopping centres, today announces its full year results to 30 December 2019.

Lawrence Hutchings, Chief Executive, comments:

"2019 was a critical year of progress for Capital & Regional. Having completed the transaction with Growthpoint in December 2019 the business is on a sound footing with the support of a significant and well respected international business, enabling Capital & Regional to continue the roll out of our community centre asset management strategy and providing a platform for potential growth.

In an environment that is not without its challenges, we have continued to make good progress operationally. Across the year we completed 66 new lettings and renewals which have on average been secured at premiums to both previous rents and ERV, underscoring the appeal of our centres to retailers attracted to our convenience and necessity focus, as well as the affordability of our rents. Once again our footfall has consistently outperformed the national index. Major lettings have been secured to Matalan and Pure Gym at Maidstone and in Luton since the year end we have exchanged deals on c 16,000 sq ft of previously vacant office space and agreed terms on the introduction of a new supermarket into the scheme. Mindful of the ongoing pressures that retail property valuations have placed on leverage we continue to actively realise value from alternative use and residential opportunities. Shortly after the year end we received £5 million from the completion of the sale of non-core land at Wood Green and are working closely with a preferred partner for our residential plans at Walthamstow, with a view to crystallising the value of this opportunity around the end of the year. Of course, these types of opportunities will also benefit the centres in the future by increasing catchment and footfall.

I remain confident that our focus on needs based, non-discretionary merchandise and the urban bias of our real estate, with its close proximity to people and transport nodes provide an attractive opportunity for us to create additional value through mixed use development working alongside experienced partners. This ensures we are well positioned as a business to evolve, adapt and grow in tune with the rapidly evolving retail landscape."

HIGHLIGHTS

Robust leasing performance against tough operating backdrop

- 66 new lettings and renewals at a combined average premium of 20.9%[1] to previous passing rent and a 7.3%[1] premium to ERV
- Net Rental Income (NRI) down £2.6 million or 5.0% to £49.3 million (December 2018: £51.9 million) as the positive leasing momentum was offset by a c. £3.0 million impact of CVAs and retailer restructurings
- Adjusted Profit[2] down 10.2% to £27.4 million (December 2018: £30.5 million)
- Stable occupier demand reflected in high occupancy at 97.2% (December 2018: 97.0%)
- There were 74.3 million shopper visits across the portfolio in 2019, reflecting a like-for-like decline of 3.2%[3], substantially ahead of the national index, which was down by 4.9%

Significantly improved balance sheet security

- New equity injection of £77.9 million (before costs) reduced net LTV to 46% (December 2018: 48%) leaving the Group with significantly improved covenant headroom. This being against the backdrop of a 15.0% decline in our property values over 2019
- Basic and EPRA NAV per share, at 361 pence and 364 pence respectively (December 2018: 596 pence and 591 pence), reflecting the fall in property valuations and IFRS loss for the period of £121.0 million (2018: Loss of £25.6 million)[5]
- £5 million sale of non-core land at Wood Green completed in early 2020 and potential to crystallise value from Walthamstow around the end of 2020
- Group cost of debt of 3.26% with average debt maturity of 5.4 years[4]
- Proposed Final Dividend of 11 pence reflecting approximately 90% of second half Adjusted Profit (December 2018: 6 pence[5]) in line with both the policy stated in the prospectus supporting the Growthpoint transaction and the Company's REIT requirements.

	2019	2018		
Net Rental Income	**£49.3m**	£51.9m	£(2.6)m	(5.0)%
Adjusted Profit[1]	**£27.4m**	£30.5m	£(3.1)m	(10.2)%
Adjusted Earnings per share[1, 5]	**36.7p**	42.3p	(5.6)p	(13.2)%
IFRS Loss for the period	**£(121.0)m**	£(25.6)m	£(95.4)m	
Basic Earnings per share[5]	**(162)p**	(35)p	(127)p	
Total dividend per share[5]	**21p**	24.2p	-3.2p	(13.2)%
Net Asset Value (NAV) per share[5]	**361p**	596p	-235p	(39.4)%
EPRA NAV per share[5]	**364p**	591p	-227p	(38.4)%
Group net debt	**£336.9m**	£411.1m	£(74.2)m	(18.0)%
Net debt to property value	**46%**	48%	(2) pps	

Growthpoint Transaction

In September 2019, the Company announced that it was in discussions with Growthpoint Properties Limited ("Growthpoint"), the largest real estate investment trust primary listed on the Johannesburg Stock Exchange, to make a substantial investment in the Company. A formal offer to acquire a majority stake was confirmed in October 2019 and approved by shareholders at a General Meeting on 26 November 2019.

Following this 311,451,258 new Capital & Regional shares were issued to Growthpoint at 25 pence per share on 9 December 2019 resulting in gross proceeds of approximately £77.9 million being received by the Company. On 23 December 2019 Growthpoint completed a partial offer to acquire a further 219,786,924 existing Capital & Regional plc shares at 33 pence per share for approximately £72.5 million resulting in a total investment of £150.4 million. The two transactions combined have resulted in Growthpoint holding 51.1% of the issued share capital of the Company.

Use of Alternative Performance Measures (APMs)

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

Notes

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

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

[3] Excludes Walthamstow from 22 July 2019 given impact of fire.

[4] As at 30 December 2019, assuming exercise of all extension options.

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

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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.

Forward looking statements

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

Chairman's statement

The investment in Capital & Regional of £77.9 million by Growthpoint, which completed in December 2019, represents a hugely important milestone for the Company. Not only does the investment enable the Company to reduce leverage but it also allows it to continue to invest in its shopping centres to enhance their relevance to the communities they serve. The investment was concluded on terms which sought to limit dilution for existing shareholders and the inter-conditional partial offer for 30.2 per cent of the Company's share capital provided shareholders with a liquidity event at a significant premium to the prevailing share price. The Board would like to thank existing shareholders for their support for the transaction and welcomes Growthpoint as the Company's majority shareholder.

The structural shift in the retail landscape has continued to accelerate. Economic conditions in the UK remain uncertain and high street retail has faced a considerable amount of pressure as a result of the macro-economic backdrop and structural changes in retailing driven by the increasing market share taken by online shopping. The UK shopping centre market is rapidly evolving with increasing polarisation between 'needs' and 'wants' focused centres.

Notwithstanding the pressures being witnessed in the UK shopping centre and broader retail market, which could yet be exacerbated by the developing impact of the Coronavirus, the Board believes that Capital & Regional is well placed to capitalise on these changes through its focus on high footfall centres characterised by affordable rents that are anchored by 'non-discretionary' offers such as grocery, professional and personal services, including health and beauty and day-to-day services, which serve the daily 'needs' of the underlying communities.

Despite the wider market pressures, the Group's operational performance has been relatively resilient with like-for-like footfall outperforming its benchmark by 1.7 percentage points and occupancy up year-on-year to 97.2 per cent.

As with the broader market, there has been continued pressure on the Group's property valuations. The impact has been greater outside London with the Group's London asset values proving to be more resilient, given their location and the strength of demand experienced at these locations. As at 30 December 2019 the Group's property portfolio was valued at £727.1 million compared to £855.2 million as at 30 December 2018, representing a decline of 15.0%. In the same period Group net debt has reduced by 18.1% from £411.1 million to £336.9 million, reflecting the Growthpoint investment. Group net debt to property value therefore fell from 48% as at December 2018 (and 52% as at June 2019) to 46% as at December 2019.

The fall in property valuations has impacted statutory results for the year with an IFRS Loss for the year of £121.0 million (Year to December 2018: Loss of £25.6 million).

On an adjusted basis, which reflects the ongoing operating performance, the Company reported an Adjusted Profit for the year of £27.4 million, compared to £30.5 million in the year ended December 2018.

Responsible Business

We are committed to running our business responsibly. It underpins the way we operate and is an integral part of who we are and what we do. Our aim is to be socially responsible so that C&R is not only a great place to work but it has a positive impact on our guests, retailer customers and the wider community, whilst minimising our environmental impact. Our Responsible Business strategy is underpinned by explicit targets and is focussed on four key areas:

- **The Marketplace**: Which is all about engagement with our local guests, customers, suppliers and stakeholders in order to understand better their needs and to identify ways of improving our collective responsible business performance.
- **Environmental sustainability**: We are committed to continuing to reduce our impact on the environment in the areas of waste, water and energy to ensure that the local communities we serve are better places to be for all. We are already on the pathway to net zero carbon having reduced the energy intensity of our centres by 36% since 2008, including a 6% fall in 2019.
- **People**: Our culture, who we are and how we work together are fundamental to delivering on our vision to define and lead community shopping, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience. We can only achieve this with the support and active engagement of our colleagues who, once again, have gone the extra mile to deliver outstanding service, a commitment which was recognised by number of highly prized awards this year.
- **Community:** We recognise our centres play a key role in the development of the communities and environments in which we operate. We seek to work closely with key stakeholders to ensure we listen, engage and use feedback to develop or refine our approach. We understand that the process of delivering change can have lasting effects on the towns in which we work and their communities. We strive for consensus. We are committed to an open dialogue with community interest groups to ensure that where this is not possible, we reach the best understanding and accommodation possible.

Dividend and Dividend Policy

Following completion of the investment by Growthpoint, and as disclosed in the transaction's prospectus, the Company intends to distribute on a semi-annual basis not less than approximately 90 per cent of the Company's EPRA earnings, which is in line with the requirements to distribute at least 90 per cent of taxable profits under the UK REIT regime.

The Company paid an Interim Dividend of 1p per share (equivalent to 10p per share following the 10 for 1 share consolidation that completed in January 2020) in respect of the half year ended 30 June 2019 and was only payable on completion of the Growthpoint transaction. Growthpoint was not entitled to this dividend, which was paid on 27 December 2019.

The Board is now proposing a final dividend of 11 pence, to be paid to all shareholders, resulting in a full year dividend equivalent to 21 pence per share, compared to an equivalent of 24.2 pence per share for 2018.

Board

I am also delighted to welcome Norbert Sasse and George Muchanya to the Board. Norbert and George joined in December 2019 and are Growthpoint's representatives on the Capital & Regional Board. I am sure we will benefit significantly from their deep knowledge of the property sector across the globe. At the same time Wessel Hamman stepped down from the Board. I would like to thank him for his valuable contribution over the last four years. Wessel has provided considered and thoughtful advice throughout this challenging period for the Company and his opinions are greatly respected by the Board as a whole.

As foreshadowed last year, Tony Hales, as Senior Independent Director, has led a recruitment process to recruit a new Chair. As previously announced, I am very pleased to report that David Hunter has accepted to join, initially as a Non-Executive Director, and following the AGM, as Chair. David brings a wealth of experience in the property sector and a track record of successfully leading boards.

The Board strives to adhere to the highest standards of corporate governance in line with the requirements of the UK Corporate Governance Code. Mindful of the Code requirements regarding independence it is intended that two new independent non-executive directors are appointed during the course of this year.

Capital & Regional has started 2020 from a position of strength. Having closed the Growthpoint transaction, we are now fortunate to have a well-funded and highly respected international real estate business as a majority shareholder. This allows Capital & Regional to focus on the continued roll out of its community, asset management and remerchandising strategy and provides us with a platform for future growth. Furthermore, Growthpoint shares our conviction that needs-based, non-discretionary urban community retail continues to have an important part to play in the evolving retail landscape.

Chief Executive's statement

2019 was a year of significant progress in delivering our Community Centres strategy and placing our balance sheet in a robust position to counter the headwinds derived from a combination of economic uncertainty and the ongoing structural changes taking place in retailing.

The transaction with Growthpoint is transformational on several levels and we are proud that Growthpoint's extensive due diligence on the company, its assets, strategy and management platform led them to the decision to invest approximately £150 million to acquire a 51.1% stake. This was achieved through a combined placement and a partial offer to existing shareholders at a significant premium to the undisturbed share price. We look forward to working more closely with Growthpoint, benefitting from its team's deep understanding of real estate as an operational asset class, and seeking to replicate the success they have seen in similar investments outside their domestic market of South Africa.

Operationally we made significant progress on the three pillars of our strategy, whereby we aim to:

1. Redefine community centres in the UK to a definition closer to that of other developed global real estate markets.
2. Reposition our centres into the community centre format through re-merchandising our tenant roster more toward those who offer non-discretionary or needs-based goods and services.
3. Restructure and refocus our teams towards a more efficient decentralised structure that allows us to improve data capture across the business, converting this insight to drive faster and better informed decision making and activity.

We believe by focusing these key areas we will be able to deliver strong relative returns.

During 2019 we delivered 66 new lettings and renewals totalling £4.5 million in annual rent and covering approximately 280,000 sq ft of leased space. Activity was focused on operators in the key community centre merchandise categories including; personal services, grocery, express food, gyms and other needs-based retailers and service providers. These transactions resulted in a positive spread to both previous passing rents and ERV assisting us in offsetting the impact of retailer restructuring including CVAs.

We are investing in evolving our processes, teams, systems and infrastructure to accommodate a growing proportion of smaller, independent retailers while reducing our exposure to retail concepts that continue to lose relevance. We are also acutely focused on tailoring our assets to the specific and individual needs of their local communities.

Whilst the balance sheet pressures driven by lower valuations and income reductions from retailer restructuring prompted us to slow our capex spending during the year to £12 million in 2019 (from £18.5 million in 2018) we have continued to progress and maintain our accretive capex pipeline which refreshes our offer and enables continued leasing progress, and income performance in future years. During the year we undertook over 20 targeted projects across the portfolio, prioritising those which can most quickly make a positive impact whilst laying the foundations for further improvements. In 2019, the most prominent of these were the introduction of a gym and family area at Hemel Hempstead, the latter incorporating a Tinies crèche facility for shoppers, the first such roll out at a UK shopping centre.

We continue to strive to be the centre of the communities we serve and during the year we undertook some 165 community projects in and around our seven centres. These included 'Purple Tuesday' across all centres, Luton YMCA Bedfordshire's 'SleepEasy', hosting Walthamstow Forest Borough of Culture events and, in Wood Green, supporting the Godwin Lawson Foundation, to name but a few. There are rare occasions where we are compelled to take action where we have cause to question the direction of a town centre masterplan or the merits of a competing retail project that we believe stands to harm the fabric of the town centre. We do this as we believe the vibrancy, vitality and prosperity of a town centre is critical to our communities.

In July 2019 there was a major fire at our shopping centre in Walthamstow. While the damage in certain areas of the scheme has been significant, critically no one was seriously hurt thanks in no small part to the quick and professional work of the emergency services, to whom we are extremely grateful. The first retailers re-opened less than a week after the fire and just under 85% of the units in the centre are now re-open and trading. Reconstruction plans are now in place for the remaining units which are expected to re-open mid to late 2020. We are insured for both loss of income and the cost of rebuilding. I would like to thank the centre team and colleagues from the support office for their exceptional commitment and hard work during what has been a traumatic time. In addition I would also like to express our gratitude to The Retail Trust, who helped support retailer staff placed in a position of hardship from the stores being closed, and Walthamstow Council for providing temporary offices for our centre team and their absolute commitment to assist us in maintaining critical services such as accessing medical prescriptions from our pharmacy tenants.

Our commitment to improving our environmental impact in our communities continues with a total of 3,396 tonnes of waste recycled during the year and a reduction in carbon emissions of 15%. This is an increasing focus for our business in the coming years and one we are embracing fully and enthusiastically.

As previously announced and as you will have seen from the chairman's statement, we will have a new chairman at the AGM in May when David Hunter steps into the role. David will be taking over from Hugh Scott-Barrett who advised the Board that he did not wish to seek re-election as non-executive chairman. Having spent 12 years with the Company, including nine as CEO, Hugh has made an invaluable contribution to Capital & Regional during which time both the sector and the Company have undergone significant changes and I would like to thank him on behalf of the Board for all his efforts, hard work and sound counsel during that time.

Outlook

While the retail environment clearly remains volatile we see continuing opportunities to deliver our strategy, working closely with those retailers who are well equipped to thrive in an omni-channel retailing environment.

I remain confident that our focus on needs-based, non-discretionary merchandise and the urban bias of our real estate and its proximity to people sees us well positioned to evolve, adapt and grow in tune with the rapidly evolving retail landscape.

Finally I would like to highlight that our significant progress in 2019 is the product of a considerable amount of hard work from a talented team, at both our support office and in our centres, across many disciplines. I am very pleased with the way our team has come together over the past two and a half years to build an industry-leading platform and we are committed to attracting and retaining talent by creating a culture that places personal growth, diversity, employee engagement and inclusion at its core.

Operating review

Our key focus remains the ongoing remerchandising and repositioning of our centres to reflect the changing requirements of the communities, guests and retail customers that we serve. This includes increasing the amount of floor space we have in non-discretionary, needs-based retail and services, where consumers prefer or need physical interaction with goods and services providers.

In addition, we are actively involved in unlocking the latent value of our real estate in the middle of town centres, with access to transport connections and complementary uses and, in the case of the London portfolio, are able to increase the density of our sites through the addition of residential, hotel, offices and other uses that enhance our communities and generate value for our stakeholders.

Affordability and occupancy cost driving successful new lettings, renewals and rent reviews

There were 66 new lettings and renewals in the period. New lettings were made at a significant premium to ERV, while renewals were marginally below. Overall the transactions resulted in a combined average premium of 20.9%[1] to previous passing rent and a 7.3%[1] premium to ERV.

	Year ended 30 December 2019
New Lettings	
Number of new lettings	**34**
Rent from new lettings	**£2.2m**
Comparison to ERV[1]	**+22.3%**
Renewals settled	
Renewals settled	**32**
Revised rent	**£2.3m**
Comparison to ERV[1]	**-0.6%**
Combined new lettings and renewals	
Comparison to previous rent[1]	**+20.9%**
Comparison to ERV[1]	**+7.3%**
Rent reviews	
Reviews settled	**17**
Revised passing rent	**£2.1m**
Uplift to previous rent	**+1.6%**

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.

Political uncertainty caused first by concern over a ‘no deal’ Brexit and then the general election in the middle of the key Christmas trading period contributed to a slowing down in leasing volumes in the second half of the year. However strong progress was still made in securing a number of key deals across the portfolio. In Maidstone new lettings for two of the three floors of the former BHS space have been signed with Matalan and, post year-end, with PureGym. At Luton since the year end we have exchanged on c 16,000 sq ft of previously vacant office space and agreed terms for a new supermarket.

This follows on from a strong first half of 2019 where we concluded new lettings to Vodafone in Blackburn, Empire Cinema and Pure Gym at Hemel Hempstead, Wenzels the baker and Luton Borough Council (Offices) at Luton. At Ilford we opened the Entertainer from a unit that has been vacant for over 10 years, directly as a result of completion of the new family precinct.

Key renewals across 2019 included Sports Direct and a new 10 year lease to Tesco at Luton, B&M and TUI at

Blackburn, TUI and Toni & Guy at Hemel Hempstead, Carphone Warehouse at Ilford, Clarks shoes and Claire's Accessories at Walthamstow and Argos, Carphone Warehouse and office space to the Metropolitan Police Service at Wood Green.

Operational performance

There were 74.3 million visits to our centres during 2019. Footfall in 2019 outperformed the national index by 170 basis points, with the like-for-like portfolio decrease of 3.2%[1] comparing to a national index decline of 4.9%.

Car park usage, down 4.0% on a like-for-like basis[1], was consistent with the decline in footfall but income increased by 1% on a like-for-like basis to £10.7 million, due to tariff increases and other parking revenue initiatives.

Click and collect transaction volumes continued to grow, increasing by 14% on the prior year, further reinforcing the strength of our locations in the omni-channel shopping experience and cost effective last mile fulfilment.

[1] Like-for-like figures exclude Walthamstow from Week 29 due to the impact of the fire.

Impact of CVAs and administrations

There were eight Company Voluntary Arrangements (CVAs) or administrations involving national retailers that impacted our portfolio in 2019. Four of the CVAs - Debenhams, Arcadia, Monsoon/Accesorize and Select – affected multiple units. The largest single impact was that of the Debenhams CVA which reduced 2019 NRI by approximately £0.7 million (all in the second half of the year) and is equivalent to £1.3 million on an annualised basis. All three Debenhams units remain trading. CVAs and administrations in 2019 have been largely focused on the department store and fashion categories that remain under significant pressure from the ongoing structural changes in retail. Such pressures continue to persist and translate into the risk of further failure and challenges in renewal negotiations. Our strategy remains committed to repositioning our centres to remerchandise away from such categories and increase further our focus on needs-based, non-discretionary merchandise and services.

The total impact upon 2019 NRI of all of the 2019 CVAs and administrations was £1.3 million, this will equate to £2.8 million on an annualised basis. The full year impact on 2019 of CVAs and administrations from 2018 was £1.7 million, resulting in a total impact in 2019 of £3.0 million.

Rental income and occupancy

	30 December 2019	30 December 2018
Contracted rent (£m)	**60.8**	**63.4**
Passing rent (£m)	**58.8**	**60.7**
Occupancy (%)	**97.2**	**97.0**

Contracted and passing rent showed declines of £2.6 million (4.1%) and £1.9 million (3.1%) respectively reflecting primarily the impact of CVAs and administrations partially offset by the new letting activity in the year. At 30 December 2019, there was £2.0 million of contracted rent where the tenant is in a rent free period, all of which will convert to passing rent in 2020.

Occupancy has remained strong at 97.2% (December 2018: 97.0%).

Capital expenditure

Conscious of balance sheet pressures within the business prior to the Growthpoint transaction, we scaled back capex spend in 2019 to £12 million (from £18.5 million in 2018). We were still active on over 20 projects across the portfolio including progressing the Walthamstow residential development opportunity, landlord works to facilitate a newly refurbished Tesco unit in Luton following the lease renewal, delivery of a new unit for Pure Gym in Hemel Hempstead and completion of a new family area and child soft play in Hemel Hempstead. The latter has incorporated a Tinies crèche facility for shoppers, the first such roll out at a UK shopping centre. We expect to deploy capex at a typical rate of approximately £15-20 million per annum. The depth of opportunities across the portfolio enables us to focus investment on those with the strongest impact and thereby provides flexibility, allowing us to respond dynamically to changes in circumstance.

Key capex projects for 2020 include the delivery of the new Matalan unit in Maidstone, refurbishment of further vacant office space in Luton following the letting to Luton Borough Council, the enhanced food court planned at Walthamstow as part of the scheme rebuild and commencement of the Cinema development in Hemel Hempstead.

Residential opportunities

Walthamstow

We have made good progress with our residential opportunity. Following a comprehensive marketing process, we have identified a favoured partner to deliver 450 residential units which has potential to realise a significant capital receipt around the end of 2020. Detailed contractual negotiations are ongoing and progressing well. The precise timing of the capital receipt will be dependent upon changes to the existing planning consent that will improve design and deliverability and incorporate a new station entrance for the Victoria Line underground station.

Wood Green

We successfully completed the sale of a vacant plot of land to Aitch Group in February 2020 for £5 million, in line with book value. Aitch Group intends to bring forward a residential scheme on the land of up to 100 units, which will bring benefit to the shopping centre in the form of increased footfall and immediate on-site catchment.

Walthamstow fire

On 22 July 2019 a fire led to the closure of The Mall, Walthamstow. The first retailers re-opened less than a week after the fire and just under 85% of the units in the centre are now reopen and trading. Reconstruction plans are now in place for the remaining units and these are expected to re-open mid to late 2020. The centre is insured for both replacement and for up to four years' loss of income.

Snozone

Snozone produced another robust performance in 2019 with revenue increasing 1% to £10.5 million (2018: £10.4 million) and profits stable at £1.5 million (2018: £1.5 million) despite cost pressures and increased competition from the broader active-leisure sector.

In 2019, Snozone received accreditation as a ‘Disability Confident’ employer and came runner-up at the UK School Travel Awards as best Sporting Venue alongside prestigious nominees such as; Chelsea FC, Lord’s cricket ground, Wembley Stadium and Wimbledon Lawn Tennis grounds. Snozone was also a finalist for the award of Best Family Day Out with the national online listings magazine, Days Out With The Kids.

Given the seasonality of snow sports, even indoors, Snozone has been focused on increasing usage during the summer months. This has included offering corporate conferencing and banqueting facilities, product launches for brands including BMW and Audi, and slope hire for filming including the BBC and other commercial channels. Elements of the 2019 Disney ‘reboot’ of Aladdin were also filmed on the slopes.

Financial review

	2019	2018	Change
Profitability			
Statutory Revenue	**£88.9m**	£91.0m	(2.2)%
Net Rental Income (NRI)	**£49.3m**	£51.9m	(5.0)%
Adjusted Profit[1]	**£27.4m**	£30.5m	(10.2)%
Adjusted Earnings per share[1, 4]	**36.7p**	42.3p	(13.2)%
IFRS Loss	**£(121.0)m**	£(25.6)m	(£95.4)m
Basic Earnings per share[4]	**(162)p**	(35)p	(127)p
EPRA cost ratio (excluding vacancy costs)	**25.9%**	25.1%	+0.8%
Net Administrative Expenses to Gross Rent	**10.8%**	10.7%	+0.1%
Investment returns			
Net Asset Value (NAV) per share[4]	**361p**	596p	(235)p
EPRA NAV per share[4]	**364p**	591p	(227)p
Dividend per share[4]	**21.0p**	24.2p	(3.2)p
Dividend pay-out[5]	**68%**	57.2%	
Return on equity	**(27.8)%**	(5.3)%	
Financing			
Group net debt	**£336.9m**	£411.1m	£(74.2)m
Group net debt to property value	**46%**	48%	(2) pps
Average debt maturity[2]	**5.4 years**	6.3 years	(0.9) years
Cost of debt[3]	**3.26%**	3.27%	(1)bps

[1] Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary and Note 1 to the Financial Statements. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 9 to the Financial Statements.

[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.

[5] Total dividend as a percentage of Adjusted Profit.

Use of Alternative Performance Measures (APMs)

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

Alternative performance measure used	**Rationale**
Adjusted Profit	Adjusted Profit is used as it is considered by management to provide the best indication of the extent to which dividend payments are supported by underlying profits as it seeks to exclude items that are either non-cash movements or items that are one-off or do not relate to the Group's recurring operating performance. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments, non-cash charges in respect of share-based payments and exceptional and/or one-off items. The key differences from EPRA earnings, an industry standard comparable measure, relates to the exclusion of non-cash charges in respect of share-based payments and adjustments in respect of exceptional items such as restructuring costs where EPRA is prescriptive. Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held. A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 5 to the condensed financial statements.
Like-for-like amounts	Like-for-like amounts are presented as they measure operating performance adjusted to remove the impact of properties that were only owned for part of the relevant periods. For the purposes of comparison of capital values, this will also include assets owned at the previous period end but not necessarily throughout the prior period.
Net Rent or Net Rental Income (NRI)	Net Rental Income is rental income from properties, less property and management costs (excluding performance fees). It is a standard industry measure. A reconciliation to statutory turnover is provided in Note 3 to the condensed financial statements.

Profitability

Amounts in £m	Year to 30 December 2019	Year to 30 December 2018
Net rental income	**49.3**	**51.9**
Net interest	**(18.9)**	**(18.9)**
Investment income	**0.2**	**0.4**
Central operating costs net of external fees	**(4.7)**	**(4.7)**
Kingfisher Redditch	**-**	**0.4**
Snozone profit (indoor ski operation)	**1.5**	**1.5**
Tax charge	**-**	**(0.1)**
Adjusted Profit[1]	**27.4**	**30.5**
Adjusted Earnings per share (pence)[1,2]	**36.7**	**42.3**
Reconciliation of Adjusted Profit to statutory result		
Adjusted Profit	**27.4**	**30.5**
Property revaluation	**(138.6)**	**(52.5)**
Loss on disposal	**(0.5)**	**(3.8)**
Impairment	**(1.4)**	**-**
(Loss)/Gain on financial instruments	**(5.0)**	**2.6**
Transaction costs on issue of new equity and partial offer	**(2.2)**	**-**
Other items	**(0.7)**	**(2.4)**
IFRS loss for year	**(121.0)**	**(25.6)**

[1] EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the Financial Statements.

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

Adjusted Profit – 2019: £27.4 million (2018: £30.5 million)
Adjusted Profit and Adjusted Earnings per share decreased by 10.2% and 13.2% respectively, driven primarily by a £2.6 million or 5.0% decrease in NRI. This was largely due to CVAs and retailer restructurings, which impacted by approximately £3.0 million in 2019.

Net interest remained in line with 2018 as broken down in the following table:

Amounts in £m	Year to 30 December 2019	Year to 30 December 2018
Net Interest on loans	**14.6**	14.4
Amortisation of refinancing costs	**0.9**	0.9
Notional interest charge on head leases[1]	**3.4**	3.4
	18.9	18.7
Central	**-**	0.2
Net Group interest	**18.9**	18.9

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

Central operating costs (net of external fees) were flat year on year with efficiency improvements offsetting the impact of salary inflation. Following the restructuring of the Kingfisher Redditch Joint Venture that completed early in 2019 the Group no longer equity accounts for its interest and no distributions were received during the year. Snozone contribution remained stable on a rounded basis, at £1.5 million.

IFRS loss for the period – 2019: Loss of £121.0 million (2018: Loss of £25.6 million)
The loss on revaluation of investment properties for the year was £138.6 million (2018: Loss of £52.5 million) and this was the key component driving a loss for the period of £121.2 million. A breakdown of valuations by property is provided in the Net Asset Value section below. The other main factors outside of Adjusted Profit were a loss on financial instruments of £5.0 million, reflecting expectations of interest rates being lower for longer, a £1.4 million impairment of the Group's fixed asset investment in the Kingfisher Redditch Joint Venture and £2.2 million of costs in respect of the Growthpoint transaction costs. A further £3.3 million of costs in relation to this transaction have been charged to Share Premium as they directly related to the issue of new shares.

Net Asset Value

The valuation of the portfolio at 30 December 2019 was £727.1 million, a 15% decline on 30 December 2018 and reflecting a net initial yield of 6.95% (2018: NIY: 6.23%).

The decline of retail asset values across the industry accelerated in 2019 and the disconnect of London and regional assets continued albeit driven largely by sentiment with transaction volumes remaining at historically low levels. The Group's London assets proved relatively more robust with an overall decline of 7.6%. The Group's assets outside of London were, however, significantly impacted by negative sentiment towards retail assets with the headline valuation of the Group's three South East assets declining by 20.7% and Blackburn falling by over 30% over 2019.

Property portfolio valuation

Property at independent valuation	**30 December 2019**		30 December 2018	
	£m	**NIY %**	£m	NIY %
London				
Ilford	**77.4**	**6.06%**	86.2	5.69%
Walthamstow	**126.0**	**5.28%**	124.6	5.01%
Wood Green	**211.5**	**5.48%**	238.3	5.12%
	414.9	**5.54%**	449.1	5.20%
South East				
Hemel Hempstead	**34.7**	**8.50%**	44.9	7.35%
Luton	**148.7**	**8.00%**	195.4	7.01%
Maidstone	**61.9**	**8.38%**	69.0	7.74%
	245.3	**8.17%**	309.3	7.23%
Regional				
Blackburn	**66.9**	**10.24%**	96.8	7.70%
Portfolio	**727.1**	**6.95%**	855.2	6.23%

NAV decreased to £375.1 million and EPRA NAV at £378.6 million (December 2018: £433.0 million and £431.7 million), respectively, reflecting the impact of the fall in valuations (net of capital expenditure) of £138.6 million partially offset by the Adjusted Profit of £27.4 million and net equity injection of £72.4 million from the Growthpoint transaction.

On a per share basis Basic NAV and EPRA NAV fell to 361 pence and 364 pence respectively, declines of 235 pence and 228 pence from the respective 2018 equivalents.

Financing
The Group's debt facilities are outlined in the table below. The fall in valuations, offset by the proceeds of the Growthpoint transaction, resulted in net debt to value decreasing to 46% (December 2018: 48%).

Details on these covenants are provided in the "covenant information" section on page 38. The Group was compliant with them throughout the year and up to the date of this announcement.

	Debt[1]	Cash[2]	**Net debt**	Loan to value[3]	Net debt to value[3]	Average interest rate	Fixed	Duration to loan expiry	Duration with extensions
30 December 2019	**£m**	£m	**£m**	%	%	%	%	Years	Years
Four Mall assets	**265.0**	(8.3)	**256.7**	57%	55%	3.33	100	5.9	6.6
Hemel	**26.9**	(0.8)	**26.1**	78%	75%	3.32	100	3.1	3.1
Ilford	**39.0**	(1.9)	**37.1**	50%	48%	2.76	100	4.2	4.2
Luton	**96.5**	(5.3)	**91.2**	65%	61%	3.14	100	4.0	4.0
Central Cash	**-**	(74.2)	**(74.2)**	-	-	n/a	n/a	n/a	n/a
£15m Revolving Credit Facility (undrawn)	**-**	-	**-**	n/a	n/a	3.79	-	2.1	2.1
On balance sheet debt	**427.4**	(90.5)	**336.9**	59%	46%	3.26	94	5.0	5.4

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

£50 million of the net proceeds from the equity raise in the year have been earmarked for the repayment or restructuring of debt. £5 million had been utilised by 30 December 2019 contributing to a total pay down of the Luton debt facility of £11 million in the second half of 2019 reducing the outstanding loan amount to £96.5 million. In addition to the facilities listed above the Group has a Revolving Credit Facility of £15 million currently undrawn and fully available.

Negotiations are ongoing with the Group's lenders regarding the utilisation of the remaining £45 million across its different loan facilities with the Group seeking an improvement to covenant terms in exchange for any voluntary repayment. Based on the existing covenant terms, without any further improvement, the £45 million provides the Group with the ability to withstand a further 20% fall from the 30 December 2019 valuations without facing any default or cash trap restrictions on any of its facilities.

Going Concern

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

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

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

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

South African secondary listing
The Company maintains a primary listing on the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 December 2019, 58,738,414 of the Company's shares were held on the JSE share register representing 5.65% of the total shares in issue.

Dividend
As outlined in the Prospectus published on 7 November 2019, the Company agreed to adopt a policy of distributing on a semi-annual basis (in the approximate proportions of 45 / 55 and in that order in respect of each financial year) not less than approximately 90% of the Company's EPRA earnings.

The Board is proposing a final dividend of 11 pence per share, based on approximately 90% of earnings for the second half of 2019. This will be paid as 100% property income distribution.

This will make the full-year dividend, adjusting the interim dividend of 1 pence for the impact of the recent 10 for 1 share consolidation, to 21 pence per share (December 2018: equivalent to 24.2 pence per share).

The key dates proposed in relation to the payment of the 2019 final dividend are:

• Confirmation of ZAR equivalent dividend	Tuesday, 24 March 2020
• Last day to trade on Johannesburg Stock Exchange (JSE)	Tuesday, 31 March 2020
• Shares trade *ex*-dividend on the JSE	Wednesday, 1 April 2020
• Shares trade *ex*-dividend on the London Stock Exchange (LSE)	Thursday, 2 April 2020
• Record date for LSE and JSE	Friday, 3 April 2020
• Annual General Meeting	Wednesday, 20 May 2020
• Dividend payment date	Tuesday, 26 May 2020

A scrip alternative will not be offered for this dividend payment. South African shareholders are advised that the final dividend will be regarded as a foreign dividend. Further details relating to withholding tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on Tuesday, 24 March 2020. Share certificates on the South African register may not be dematerialised or rematerialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, both dates inclusive. Transfers between the UK and South African registers may not take place between Tuesday, 24 March 2020 and Friday, 3 April 2020, both dates inclusive.

Stuart Wetherly
Group Finance Director

Managing Risk

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

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

This risk matrix is also used in performing our annual assessment of the material financial, operational and compliance controls that mitigate the key risks identified. Each control is assessed or tested for evidence of its effectiveness. The review concluded that all such material controls were operating effectively during 2019.

Principal risks at 30 December 2019
As part of the risk review completed as at 30 December 2019, the groupings and categorisations of the Group's principal risk were reviewed and refined with a few common risks being consolidated together. Amongst the main factors considered, were the continuing structural changes to UK retail and the continuing use of CVAs by struggling retailers, and the ongoing economic and political uncertainty concerning the terms of the country's exit from the European Union (see below). The review concluded that while as a result of these combined factors the profile of a number of risks, including property investment market risks and the impact of the economic environment, had changed, the ultimate nature and significance of them had not.

Brexit
The UK formally left the European Union (EU) at the end of January 2020. It has now entered a transitional period until the end of 2020 and must negotiate its future trading relationship with the EU. Whilst these developments have provided some clarity, there remains significant uncertainty over the future impact of Brexit on a number of the Group's principal risks. From a risk perspective, the main impact of Brexit is on Property investment market risks, the economic environment and Tax and regulatory risks. The ultimate impact will be dependent on the terms of the UK's relationship with the EU. Any significant change, such as the inability to reach a trade agreement, resulting in the application of WTO rules, is likely to have an adverse impact on the Group.

Coronavirus
The developing threat from coronavirus is incorporated within our Business disruption from a major incident risk. At the time of writing, whilst the number of cases reported within the UK remains relatively low the threat from the disease is increasing and retailer supply chains, travel and tourism are being affected. We are actively monitoring the situation and ensuring contingency plans are in place to mitigate the potential impact on our operations, our shopping centres and our tenants as best we can should the situation escalate further.

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

Risk	Impact	Mitigation
1. Property investment market risks		
• Weakening economic conditions and poor sentiment in commercial and/or retail real estate markets could lead to low investor demand and an adverse movement in valuation • Valuation risk from lack of relevant transactional evidence	• Small changes in property market yields or future cashflow assumptions can have a significant effect on valuation • Impact of leverage could magnify the effect on the Group's net assets • Property valuations increasingly subjective and open to a wider range of possible outcomes	• Monitoring of indicators of market direction and forward planning of investment decisions • Use of multiple experienced, external valuers who understand the specific properties and whose output is reviewed and challenged by internal specialists • Regular review and consideration of strategies to reduce debt levels if appropriate • Maintenance of cash and covenant headroom to provide flexibility
2. Impact of the economic environment		
• Tenant insolvency or distress • Prolonged downturn in tenant demand and pressure on rent levels	• Tenant failures and reduced tenant demand could adversely affect rental income, lease incentive, void costs, cash and ultimately property valuation	• Large, diversified tenant base • Review of tenant covenants before new leases signed • Long-term leases and active credit control process • Good relationships with, and active management of, tenants • Void management though temporary lettings and other mitigation strategies
3. Treasury risk		
• Inability to fund the business or to refinance existing debt on economic terms when needed • Breach of any loan covenants causing default on debt and possible accelerated maturity • Exposure to rising or falling interest rates	• Inability to meet financial obligations when due • Limitation on financial and operational flexibility • Cost of financing could be prohibitive • Unremedied breaches can trigger demand for immediate repayment of loan • If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken • Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences	• Ensuring that the Group maintains appropriate levels of cash reserves and/or undrawn facilities • Regular monitoring and projections of liquidity, gearing and covenant compliance with regular reporting to the Board • Option of asset sales if necessary • Regular monitoring of the performance of derivative contracts and corrective action taken where necessary • Use of alternative hedges such as caps
4. Tax & regulatory risks		
• Exposure to non-compliance with the REIT regime and changes in the form or interpretation of tax legislation • Potential exposure to tax liabilities in respect of historic transactions undertaken • Exposure to changes in existing or forthcoming property or corporate regulation	• Tax related liabilities and other losses could arise • Failure to comply with tax or regulatory requirements could result in financial penalties, loss of business or credibility	• Monitoring of REIT compliance • Expert advice taken on tax positions and other regulations • Maintenance of a regular dialogue with the tax authorities • Training to keep Management aware of regulatory changes • Expert advice taken on complex regulatory matters

5. People

• Dependence of the business on the skills of a small number of key individuals	• Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce effectiveness	• Pay market salaries and offer competitive incentive packages • Positive working environment and culture • Use of share incentive plans • Succession planning for key positions

6. Development risk

• Delays or other issues may occur to capital expenditure and development projects • The threat to the Group's property assets of competing in town and out of town retail and leisure schemes	• May lead to increased cost and reputational damage • Planned value may not be realised • Competing schemes may reduce footfall and reduce tenant demand for space and the levels of rents which can be achieved	• Approval process for new developments and staged execution to key milestones • Use of experienced project co-ordinators and external consultants with regular monitoring and Executive Committee oversight • Monitoring of new planning proposals • Close relationships with local councils and willingness to support town centres

7. Business disruption from a major incident

• Major incident takes place	• Financial loss if unable to trade or impacts upon shopper footfall • Reputational and financial damage if business has or is perceived to have acted negligently	• Trained operational personnel at all sites and documented major incident procedures • Updated operational procedures reflecting current threats and major incident testing run • Regular liaison with the police • Key IT applications hosted offsite • Insurance maintained

8. Responsible Business

• The Group's activities may have an adverse impact on the environment and communities • Health and safety incidents could cause death or serious injury	• 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	• Issues considered as part of the Group's Responsible Business Committee • Environmental policy in place and consistent with ISO14001 • Management of and compliance with the Carbon Reduction Commitment and compliance with the Carbon Trust • Specialist health and safety compliance manager in place • Monitoring systems to ensure tenant compliance

9. Customers & changing consumer trends

• The trend towards online shopping, multi-channel retailing, and increased spending on leisure may adversely impact consumer footfall in shopping centres	• Changes in consumer shopping habits towards online purchasing and delivery may reduce footfall and therefore potentially reduce tenant demand and the levels of rents which can be achieved • An increased use of CVAs by retailers as a means of restructuring and cost reduction	• Strong location and dominance of shopping centres (portfolio is weighted to London and South East England) • Strength of the community shopping experience with tailored relevance to the local community • Concentration on convenience and value offer which is less impacted by online presence • Increasing provision of “Click & Collect” within our centres • Digital marketing initiatives • Monitoring of footfall, retail trends and shopping behaviour

10. Historic transactions

• Historic sales have included vendor warranties and indemnities and as such, the Group has potential exposure to future claims from the purchaser	• Warranty and indemnity related liabilities and other losses could arise	• Use of professional advisers to achieve properly negotiated agreements in terms of scope, extent of financial liability and time frame • Monitoring of ongoing exposures

Unaudited preliminary consolidated income statement

For the year to 30 December 2019

	Note	2019 £m	2018 £m
Revenue	3	**88.9**	91.0
Cost of sales		**(35.3)**	(34.9)
Gross profit		**53.6**	56.1
Administrative costs		**(8.8)**	(9.2)
Share of loss in associates	7a	**-**	(4.6)
Loss on revaluation of investment properties		**(138.6)**	(47.5)
Other gains and losses		**(1.5)**	(4.5)
Transaction costs in association with Partial Offer and equity raise		**(2.2)**	-
Loss on ordinary activities before financing		**(97.5)**	(9.7)
Finance income		**0.4**	3.1
Finance costs		**(23.9)**	(18.9)
Loss before tax		**(121.0)**	(25.5)
Tax charge	4a	**-**	(0.1)
Loss for the year	2a	**(121.0)**	(25.6)

All results derive from continuing operations.

	Note	2019	2018
Basic earnings per share[1]	5a	**(16.2)p**	(3.5)p
Diluted earnings per share[1]	5a	**(16.2)p**	(3.5)p
EPRA basic earnings per share[1]	5a	**3.5p**	4.0p
EPRA diluted earnings per share[1]	5a	**3.5p**	4.0p

Unaudited preliminary consolidated statement of comprehensive income

For the year to 30 December 2019

	2019 £m	2018 £m
Loss for the year	**(121.0)**	**(25.6)**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**-**	-
Gain on a hedge of a net investment taken to equity	**-**	-
Total items that may be reclassified subsequently to profit or loss	**-**	-
Total comprehensive expense for the year	**(121.0)**	**(25.6)**

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

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

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

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

Unaudited preliminary consolidated balance sheet

At 30 December 2019

	Note	**2019** **£m**	2018 £m
Non-current assets			
Investment properties	6	**770.9**	**898.2**
Plant and equipment		**2.2**	**2.0**
Fixed asset investments		**1.2**	**2.8**
Receivables		**14.7**	**16.5**
Investment in associates	7b	**-**	**-**
Total non-current assets		**789.0**	**919.5**
Current assets			
Receivables		**15.4**	**15.3**
Cash and cash equivalents	8	**95.9**	**32.0**
Total current assets		**111.3**	**47.3**
Total assets	2b	**900.3**	**966.8**
Current liabilities			
Trade and other payables		**(35.7)**	**(37.1)**
Total current liabilities		**(35.7)**	**(37.1)**
Net current assets		**75.6**	**10.2**
Non-current liabilities			
Bank loans	9	**(422.8)**	**(432.9)**
Other payables		**(5.2)**	**(2.2)**
Obligations under finance leases		**(61.5)**	**(61.6)**
Total non-current liabilities		**(489.5)**	**(496.7)**
Total liabilities	2b	**(525.2)**	**(533.8)**
Net assets		**375.1**	**433.0**
Equity			
Share capital		**10.4**	**7.3**
Share premium		**238.0**	**166.5**
Merger reserve		**60.3**	**60.3**
Capital redemption reserve		**4.4**	**4.4**
Own shares reserve		**-**	**-**
Retained earnings		**62.0**	**194.5**
Equity shareholders' funds		**375.1**	**433.0**
Basic net assets per share[1]	11	**36.1p**	**59.6p**
EPRA triple net assets per share[1]	11	**35.6p**	**59.3p**
EPRA net assets per share[1]	11	**36.4p**	**59.1p**

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

Unaudited preliminary consolidated statement of changes in equity

For the year to 30 December 2019

	Share capital £m	Share premium[1] £m	Merger reserve[2] £m	Capital redemption reserve[1] £m	Own shares reserve[3] £m	Retained earnings £m	Total equity £m
Balance at 30 December 2017	**7.2**	**163.3**	**60.3**	**4.4**	**(0.1)**	**246.3**	**481.4**
Loss for the year	-	-	-	-	-	(25.6)	(25.6)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	-	**-**	**(25.6)**	**(25.6)**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.7	0.7
Dividends paid, net of scrip	-	-	-	-	-	(23.5)	(23.5)
Shares issued, net of costs	0.1	3.2	-	-	-	(3.3)	-
Other movements	-	-	-	-	0.1	(0.1)	-
Balance at 30 December 2018	**7.3**	**166.5**	**60.3**	**4.4**	**-**	**194.5**	**433.0**
Loss for the year	-	-	-	-	-	(121.0)	(121.0)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	-	**-**	**(121.0)**	**(121.0)**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.1	0.1
Dividends paid, net of scrip	-	-	-	-	-	(11.6)	(11.6)
Shares issued, net of costs	3.1	71.5	-	-	-	-	74.6
Other movements	-	-	-	-	-	-	-
Balance at 30 December 2019	**10.4**	**238.0**	**60.3**	**4.4**	**-**	**62.0**	**375.1**

Notes:

1 These reserves are not distributable.

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

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

Unaudited preliminary consolidated cash flow statement

For the year to 30 December 2019

	Note	**2019** **£m**	2018[1] £m
Operating activities			
Net cash from operations	10	**40.9**	46.7
Distributions received from fixed asset investments		**2.3**	0.8
Interest paid		**(14.8)**	(14.5)
Interest received		**0.2**	0.1
Cash flows from operating activities		**28.6**	33.1
Investing activities			
Distributions received from associates	7b	**-**	1.2
Acquisitions and disposals		**-**	0.3
Purchase of plant and equipment		**(0.7)**	(0.5)
Capital expenditure on investment properties		**(12.7)**	(18.6)
Cash flows from investing activities		**(13.4)**	(17.6)
Financing activities			
Dividends paid, net of scrip		**(11.6)**	(23.6)
Bank loans drawn down		**-**	10.0
Bank loans repaid		**(11.0)**	-
Issue of ordinary shares		**74.7**	-
Finance lease costs (head lease)		**(3.4)**	-
Loan arrangement costs		**-**	(0.1)
Cash flows from financing activities		**48.7**	(13.7)
Net increase/(decrease) in cash and cash equivalents		**63.9**	1.8
Cash and cash equivalents at the beginning of the year		**32.0**	30.2
Cash and cash equivalents at the end of the year	8	**95.9**	32.0

1 Significant Accounting Policies

General information
Capital & Regional plc is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The financial information set out in the announcement does not constitute the Company's statutory financial statements for the years ended 30 December 2019 or 2018. The financial information for the year ended 30 December 2018 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 30 December 2019 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

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

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in April 2020.

Accounting developments and changes

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

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

Operating segments

The Group’s reportable segments under IFRS 8 are now 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 Limited, Capital & Regional plc and other subsidiaries and the interest expense on the Group’s central borrowing facility.

In the prior year Shopping Centres was split between Wholly-owned assets and Other UK Shopping Centres. The latter consisted of the Group’s interest in the Kingfisher Limited Partnership (Redditch) until reclassification to a Fixed Asset Investment on 30 December 2018 – see Note 7b for further information. Following this reclassification the Group’s interest in the Kingfisher Limited Partnership is no longer equity accounted. The prior period segment information has been restated to reflect this change in reportable segments due to the change in the structure of the Group.

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.

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

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

2a Operating segments

Year to 30 December 2019	Note	Shopping Centres £m	Snozone £m	Group/ Central £m	**Total £m**
Rental income from external sources	2b	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]	2b	-	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	2b	820.0	3.9	76.4	**900.3**
Total liabilities	2b	(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 CRPM entity to wholly-owned assets have been excluded from the table above.

2a Operating segments

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

[1] Comprises Kingfisher Redditch. For further information see Note 7.
[2] Asset management fees of £3.6 million charged from the Group's CRPM entity to wholly-owned assets have been excluded from the table above.

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Rental income from external sources	2a	**63.0**	**67.2**
Service charge income		**14.6**	**14.7**
Management fees	2a	**2.3**	**2.3**
Snozone income	2a	**10.5**	**10.4**
Revenue for reportable segments		**90.4**	**94.6**
Elimination of inter-segment revenue		**(1.5)**	**(1.4)**
Rental income earned by associates and joint ventures	2a	**-**	**(2.2)**
Revenue per consolidated income statement	3	**88.9**	**91.0**

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

Assets	Note	2019 £m	2018 £m
Wholly-owned assets		**820.0**	951.0
Other UK Shopping Centres		**-**	14.8
Snozone		**3.9**	5.1
Group/Central		**76.4**	9.9
Total assets of reportable segments	2a	**900.3**	980.8
Adjustment for fixed asset investments		**-**	(14.0)
Group assets		**900.3**	966.8
Liabilities			
Wholly-owned assets		**(514.6)**	(526.0)
Other UK Shopping Centres		**-**	(14.0)
Snozone		**(2.0)**	(3.0)
Group/Central		**(8.6)**	(4.8)
Total liabilities of reportable segments	2a	**(525.2)**	(547.8)
Adjustment for fixed asset investments		**-**	14.0
Group liabilities		**(525.2)**	(533.8)
Net assets by country			
UK		**375.8**	433.0
Germany		**(0.7)**	-
Group net assets		**375.1**	433.0

3 Revenue

	Note	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Gross rental income		**49.6**	51.7
Ancillary income		**13.4**	13.3
	2a	**63.0**	65.0
Service charge income	2b	**14.6**	14.7
External management fees		**0.8**	0.9
Snozone income	2a	**10.5**	10.4
Revenue per consolidated income statement	2b	**88.9**	91.0

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

4 Tax

4a Tax charge

	Year to 30 December 2019	Year to 30 December 2018
	£m	£m
Current tax		
UK corporation tax	**-**	**-**
Adjustments in respect of prior years	**-**	**-**
Total current tax credit	**-**	**-**
Deferred tax		
Adjustments in respect of prior years	**-**	**(0.1)**
Total deferred tax	**-**	**(0.1)**
Total tax charge	**-**	**(0.1)**

£nil (2018: £nil) of the tax charge relates to items included in other comprehensive income.

4b Tax charge reconciliation

	Note	**Year to 30 December 2019**	Year to 30 December 2018
		£m	£m
(Loss)/profit before tax on continuing operations		**(121.0)**	**(25.5)**
(Loss)/profit multiplied by the UK corporation tax rate of 19% (2017: 19%)		**(23.0)**	**(4.9)**
REIT exempt income and gains		**22.2**	**3.1**
Non-allowable expenses and non-taxable items		**0.6**	**1.7**
Excess tax losses		**0.2**	**0.1**
Adjustments in respect of prior years		**-**	**0.1**
Total tax charge	4a	**-**	**0.1**

4c Deferred tax

The UK corporation tax main rate was reduced to 19% with effect from 1 April 2017. A further reduction in the rate of corporation tax to 17% from 1 April 2020 was substantively enacted in Finance Act 2016. Consequently the UK corporation tax rate at which the deferred tax is booked in the financial statements is 17% (2018: 17%).

The Group has recognised a deferred tax asset of £nil million (2018: £nil million). No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates or in joint ventures in the current or prior years as it is not certain that a deduction will be available when the asset crystallises.

The Group has £19 million (2018: £18.7 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses (2018: £nil). The Group has unused capital losses of £24.9 million (2018: £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.

4d REIT compliance

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

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

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

5 Earnings per share

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

5a Earnings per share calculation

		Year to 30 December 2019			Year to 30 December 2018		
	Note	**Loss**	**EPRA**	**Adjusted Profit**	Loss	EPRA	Adjusted Profit
Profit (£m)							
Loss for the year		**(121.0)**	**(121.0)**	**(121.0)**	**(25.6)**	**(25.6)**	**(25.6)**
Revaluation loss on investment properties (net of tax)	5b	**-**	**140.0**	**140.0**	**-**	**52.5**	**52.5**
Loss on disposal (net of tax)	5b	**-**	**0.5**	**0.5**	**-**	**3.8**	**3.8**
Transaction costs on issue of new equity			**2.2**	**2.2**			
Changes in fair value of financial instruments	5b	**-**	**5.0**	**5.0**	**-**	**(2.6)**	**(2.6)**
Share-based payments	2a	**-**	**-**	**0.1**	**-**	**-**	**0.7**
Other items			**(0.3)**	**0.6**	**-**	**0.6**	**1.7**
(Loss)/profit (£m)		**(121.0)**	**26.4**	**27.4**	**(25.6)**	**28.7**	**30.5**
Earnings per share (pence)		**(16.2)**	**3.5**	**3.7**	**(3.5)**	**4.0**	**4.2**
Diluted earnings per share (pence)[1]		**(16.2)**	**3.5**	**3.7**	**(3.5)**	**4.0**	**4.2**

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

None of the current or prior year earnings related to discontinued operations (2018: none).

Weighted average number of shares (m)	**Year to 30 December 2019**	Year to 30 December 2018
Ordinary shares in issue	**746.2**	**721.9**
Own shares held	**(0.6)**	**(0.5)**
Basic	**745.6**	**721.4**
Dilutive contingently issuable shares and share options	**3.5**	**4.6**
Diluted	**749.1**	**726.0**

At the end of the year, the Group had 10,698,595 (2018: 8,162,625) share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute earnings per share in the future, but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

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

		Year to 30 December 2019			Year to 30 December 2018		
		Revaluation movements	**Loss on disposal of investment properties**	**Movement in fair value of financial instruments**	Revaluation movements	Loss on disposal of investment properties	Movement in fair value of financial instruments
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Wholly-owned		**(140.0)**	**-**	**(5.0)**	**(47.5)**	**-**	**2.6**
Associates	7c	**-**	**-**	**-**	**(5.0)**	**-**	**-**
Joint ventures		**-**	**(0.5)**	**-**	**-**	**(3.8)**	**-**
Tax effect		**-**	**-**	**-**	**-**	**-**	**-**
Total	5a	**(140.0)**	**(0.5)**	**(5.0)**	**(52.5)**	**(3.8)**	**2.6**

5 Earnings per share (continued)

5c Headline earnings per share

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

	Year to 30 December 2019		Year to 30 December 2018	
	Basic	**Diluted**	Basic	Diluted
Profit (£m)				
(Loss)/profit for the year	**(121.0)**	**(121.0)**	**(25.6)**	**(25.6)**
Revaluation loss on investment properties (including tax)	**140.0**	**140.0**	**52.5**	**52.5**
Loss on disposal (net of tax)	**0.5**	**0.5**	**3.8**	**3.8**
Transaction costs on issue of new equity	**2.2**	**2.2**	**-**	**-**
Other items	**(0.3)**	**(0.3)**	**(0.2)**	**(0.2)**
Headline earnings	**21.4**	**21.4**	**30.5**	**30.5**
Weighted average number of shares (m)				
Ordinary shares in issue	**746.2**	**746.2**	**721.9**	**721.9**
Own shares held	**(0.6)**	**(0.6)**	**(0.5)**	**(0.5)**
Dilutive contingently issuable shares and share options	**-**	**3.5**	**-**	**4.6**
	745.6	**749.1**	**721.4**	**726.0**
Headline Earnings per share (pence) Basic/Diluted[1]	**2.9**	**2.9**	**4.2**	**4.2**

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

6 Investment properties

6a Wholly-owned properties

	Freehold investment properties £m	Leasehold investment properties £m	**Total property assets £m**
Cost or valuation			
At 30 December 2017	**437.4**	**493.2**	**930.6**
Capital expenditure (excluding capital contributions)	8.8	6.1	**14.9**
Valuation deficit[1]	(14.1)	(33.2)	**(47.3)**
At 30 December 2018	**432.1**	**466.1**	**898.2**
Capital expenditure (excluding capital contributions)	6.6	4.7	**11.3**
Valuation deficit	(59.6)	(79.0)	**(138.6)**
At 30 December 2019	**379.1**	**391.8**	**770.9**

[1] £47.5 million per Income statement and Note 2a includes letting fee amortisation adjustment of £0.2 million.

6b Property assets summary

	30 December 2019		30 December 2018	
	100% £m	**Group share £m**	100% £m	Group share £m
Investment properties at fair value	**727.1**	**727.1**	**855.2**	**855.2**
Head leases treated as finance leases on investment properties	**61.5**	**61.5**	**61.3**	**61.3**
Unamortised tenant incentives on investment properties	**(17.7)**	**(17.7)**	**(18.3)**	**(18.3)**
IFRS Property Value	**770.9**	**770.9**	**898.2**	**898.2**

6c Valuations

External valuations at 30 December 2019 were carried out on all of the gross property assets detailed in the table above. The fair value was £727.1 million (2018: £855.2 million).

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

7 Investment in associates

7a Share of results

	Note	**Year to 30 December 2019 £m**	Year to 30 December 2018 £m
Share of results of associates	7c	**-**	**(4.6)**
			(4.6)

7b Investment in associates

	Note	**30 December 2019 £m**	30 December 2018 £m
At the start of the year		**-**	**7.4**
Share of results of associates	7c	**-**	**(4.6)**
Dividends and capital distributions received		**-**	**(1.2)**
Impairment		**-**	**(0.8)**
Reclassification to Fixed asset investments		**-**	**(0.8)**
At the end of the year	7c	**-**	**-**

The Group's only significant associate during 2018 was the Kingfisher Limited Partnership in which the Group is in partnership with funds under the management of Oaktree Capital Management LP. The Kingfisher Limited Partnership owns The Kingfisher Shopping Centre in Redditch. The Group has previously accounted for its interest as an associate on the basis it held a 20% share and exercised significant influence through its representation on the General Partner board and through acting as the property and asset manager. An agreement to restructure the Kingfisher holding was in place at 30 December 2018 and formally completed on 8 March 2019. As a result of this the Group's equity holding was diluted to 12% and while the Group continues to act as property and asset manager it no longer has representation on the General Partner board. We consider that we did not exercise significant influence at year end December 2018 and reflecting this the Group's remaining interest in the Kingfisher Limited Partnership was reclassified to a Fixed Asset Investment effective from that date.

7c Analysis of investment in associates

	Year to 30 December 2019[1] Total £m	Year to 30 December 2018[1] Total £m
Income statement (100%)		
Revenue – gross rent	-	10.8
Property and management expenses	-	(2.4)
Void costs	-	(1.0)
Net rent	-	7.4
Net interest payable	-	(5.7)
Contribution	-	1.7
Revaluation of investment properties	-	(24.7)
Fair value of interest rate swaps	-	-
Refinancing costs	-	-
Loss before tax	-	(23.0)
Tax	-	0.2
Loss after tax	-	(22.8)
Balance sheet (100%)		
Investment properties	-	-
Other assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets (100%)	-	-
Income statement (Group share)		
Revenue – gross rent	-	2.2
Property and management expenses	-	(0.5)
Void costs	-	(0.2)
Net rent	-	1.5
Net interest payable	-	(1.1)
Contribution	-	0.4
Revaluation of investment properties	-	(5.0)
Fair value of interest rate swaps	-	-
Refinancing costs	-	-
Loss before tax	-	(4.6)
Tax		-
Loss after tax	-	(4.6)
Balance sheet (Group share)		
Investment properties	-	-
Other assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets (Group share)	-	-

[1] Comprised Kingfisher Redditch.

8 Cash and cash equivalents

	30 December 2019 £m	30 December 2018 £m
Cash at bank and in hand	90.5	27.3
Security deposits held in rent accounts	0.7	0.6
Other restricted balances	4.7	4.1
	95.9	32.0

Cash at bank and in hand include amounts subject to a charge against various borrowings and may therefore not be immediately available for general use by the Group. All of the above amounts at 30 December 2019 were held in Sterling other than £0.3 million which was held in Euros (30 December 2018: £0.2 million).

9 Bank loans

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

Borrowings at amortised cost	**30 December 2019 £m**	30 December 2018 £m
Secured		
Fixed and swapped bank loans	**427.4**	**438.4**
Variable rate bank loans	**-**	**-**
Total borrowings before costs	**427.4**	**438.4**
Unamortised issue costs	**(4.6)**	**(5.5)**
Total borrowings after costs	**422.8**	**432.9**
Analysis of total borrowings after costs		
Current	**-**	**-**
Non-current	**422.8**	**432.9**
Total borrowings after costs	**422.8**	**432.9**

Hemel Hempstead capital expenditure facility and Group revolving credit facility
On 13 March 2019 the Group completed a new £7 million capital expenditure facility with The Royal Bank of Scotland plc to part fund a cinema development and related leisure works at The Marlowes Hemel Hempstead. The facility is undrawn as at 31 December 2019. At the same time the Group's revolving credit facility was rebased from £30 million to £15 million with improved headroom on both Total Net Worth and Loan to Value covenants. The revolving credit facility was undrawn at 30 December 2018 and 30 December 2019.

10 Reconciliation of net cash from operations

	Note	**Year to 30 December 2019 £m**	Year to 30 December 2018 £m
(Loss) for the year		**(121.0)**	**(25.6)**
Adjusted for:			
Income tax charge	4a	**-**	**0.1**
Finance income		**(0.4)**	**(3.1)**
Finance expense		**23.9**	**18.9**
Finance lease costs (head lease)		**(3.4)**	**(3.4)**
Loss on revaluation of wholly-owned properties		**138.6**	**47.5**
Share of loss in associates	7a	**-**	**4.6**
Depreciation of other fixed assets		**0.5**	**0.3**
Other gains and losses		**2.7**	**4.5**
Decrease/(increase) in receivables		**(0.4)**	**2.3**
(Decrease)/increase in payables		**(3.1)**	**(0.2)**
Non-cash movement relating to share-based payments		**0.1**	**0.8**
Net cash from operations		**40.9**	**46.7**

11 Net assets per share

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

	30 December 2019			30 December 2018
	Net assets £m	Number of shares (m)	Net assets per share[1]	Net assets per share[1]
Basic net assets	**375.1**	**1,038.8**	**36.1p**	**59.6p**
Own shares held		**(0.6)**		
Dilutive contingently issuable shares and share options		**3.3**		
Fair value of fixed rate loans (net of tax)	**(4.4)**			
EPRA triple net assets	**370.7**	**1,041.5**	**35.6p**	**59.3p**
Exclude fair value of fixed rate loans (net of tax)	**4.4**			
Exclude fair value of see-through interest rate derivatives	**3.5**			
Exclude deferred tax on unrealised gains and capital allowances	**-**			
EPRA net assets	**378.6**	**1,041.5**	**36.4p**	**59.1p**

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

12 Return on equity

	30 December 2019 £m	30 December 2018 £m
Total comprehensive income attributable to equity shareholders	**(121.0)**	**(25.6)**
Opening equity shareholders' funds plus time weighted additions	**437.5**	**482.9**
Return on equity	**(27.7)%**	**(5.3)%**

13 Dividends

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

	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Final dividend per share for year ended 30 December 2017 of 1.91p	-	13.7
Interim dividend per share paid for year ended 30 December 2018 of 1.82p	-	13.1
Final dividend per share for year ended 30 December 2018 of 0.6p	4.4	
Interim dividend per share paid for year ended 30 December 2019 of 1.0p	7.2	-
Amounts recognised as distributions to equity holders in the year	**11.6**	**26.8**
Proposed final dividend per share for year ended 30 December 2019 of 11p per new 10p shares (this is equivalent to 1.1p per old 1p shares – see note 15)[1]	**11.4**	**-**

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

14 Ultimate controlling party

On 9 December 2019 Growthpoint Properties Limited ("Growthpoint") were issued 311,451,258 new Capital & Regional shares at 25 pence per share which enlarged the Group's total issued share capital to 1,038,840,375. By 23 December 2019 Growthpoint Properties Limited completed a partial offer to acquire a further 219,786,924 Capital & Regional plc shares at 33 pence per share.

These two transactions combined resulted in Growthpoint holding 51.2% of the issued share capital of the Company. As such Growthpoint is the ultimate controlling party of the Company and the largest group into which the results of the Company are consolidated. The registered office of Growthpoint Properties Limited is The Place, 1 Sandton Drive, Sandton, 2196, Johannesburg, South Africa.

15 Events after the balance sheet date

On 15 January 2020 a 10:1 share consolidation came into effect. Every ten Ordinary Shares of 1 pence each have been converted into one ordinary share of 10 pence each, this resulted on 103,884,038 shares being in issue on this date.

Covenant information *(Unaudited)*
Wholly-owned assets

	Borrowings £m	Covenant[1]	30 December 2019	Future changes
Core revolving credit facility				
Net Assets	-	No less than £250m	£375.1m	
Gearing		No greater than 1.6:1	1.5:1	
Historic interest cover		No less than 200%	366.0%	
Four Mall assets				
Loan to value[2]	265.0	No greater than 70%	56.8%	
Historic interest cover		No less than 175%	285.7%	
A projected interest cover test also applies at a covenant level of no less than 150%				
Luton				
Loan to value[2]	96.5	No greater than 80%	64.9%	Covenant, 70% from 1 October 2020, 65% from January 2022
Debt yield		No less than 8%	11.5%	
Historic interest cover		No less than 250%	371.7%	
A projected interest cover test also applies at a covenant level of no less than 200%				
Hemel Hempstead				
Loan to Gross Development Value[2,3]	26.9	No greater than 60%	43.0%	
Historic interest cover		No less than 200%	276.0%	
Ilford				
Loan to value[2]	39.0	No greater than 70%	47.9%	
Historic interest cover		No less than 225%	399.6%	
A projected interest cover test also applies at a covenant level of no less than 225%				

[1] Covenants quoted are the default covenant levels. The facilities typically also have cash trap mechanisms.
[2] Calculated as specified in loan agreement based on 30 December 2019 valuation. Actual bank covenant based on bank valuation updated periodically.
[3] Based on loan with £7 million development facility completed on 13 March 2019. Covenant assessed on current loan drawn to projected Gross Development Value of scheme with leisure development.

Glossary of terms

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

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

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

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

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

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

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

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

Debt is borrowings, excluding unamortised issue costs.

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

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

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

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

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

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

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

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

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

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

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

Net assets per share (NAV 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.

Wholly-owned assets portfolio information *(Unaudited)*

At 30 December 2019

Physical data	
Number of properties	7
Number of lettable units	757
Size (sq ft – million)	3.5
Valuation data	
Properties at independent valuation (£m)	727.1
Adjustments for head leases and tenant incentives (£m)	43.8
Properties as shown in the financial statements (£m)	**770.9**
Revaluation loss in the year (£m)	138.6
Initial yield	6.9%
Equivalent yield	7.6%
Reversion	10.2%
Loan to value ratio	58.8%
Net debt to value ratio	46.3%
Lease length (years)	
Weighted average lease length to break	5.7
Weighted average lease length to expiry	6.9
Passing rent (£m) of leases expiring in:	
2020	8.6
2021	5.5
2022-2024	13.8
ERV (£m) of leases expiring in:	
2020	9.5
2021	6.4
2022-2024	13.6
Passing rent (£m) subject to review in:	
2020	3.9
2021	3.3
2022-2024	8.0
ERV (£m) of passing rent subject to review in:	
2020	4.6
2021	3.4
2022-2024	9.0
Rental Data	
Contracted rent (£m)	60.8
Passing rent (£m)	58.8
ERV (£m per annum)	64.8
ERV movement (like-for-like)	(3.7)%
Occupancy	97.2%

EPRA performance measures *(Unaudited)*

As at 30 December 2019

	Note	2019	2018
EPRA earnings (£m)	5a	**26.4**	**28.7**
EPRA earnings per share (diluted)[1]	5a	**3.5p**	**4.0p**
EPRA net assets (£m)	11	**378.6**	**431.7**
EPRA net assets per share[1]	11	**36.4p**	**59.1p**
EPRA triple net assets (£m)	11	**370.7**	**433.5**
EPRA triple net assets per share[1]	11	**35.6p**	**59.3p**
EPRA vacancy rate		**2.8%**	**2.4%**

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

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

	2019 £m	2018 £m
Investment property – wholly-owned	**727.1**	**855.2**
Investment property – Kingfisher, Redditch	**-**	**23.7**
Less developments	**-**	-
Completed property portfolio	**727.1**	**878.9**
Allowance for capital costs	**(8.7)**	**(6.2)**
Allowance for estimated purchasers' costs	**48.0**	**57.9**
Grossed up completed property portfolio valuation	**766.4**	**930.6**
Annualised cash passing rental income	**62.9**	**66.7**
Property outgoings	**(12.8)**	**(11.9)**
Annualised net rents	**50.1**	**54.8**
Add: notional rent expiration of rent free periods or other lease incentives	**2.0**	**2.1**
Topped up annualised rent	**52.1**	**56.9**
EPRA net initial yield	**6.5%**	**5.9%**
EPRA topped-up net initial yield	**6.8%**	**6.1%**

EPRA Cost ratios

	2019 £m	2018 £m
Cost of sales (adjusted for IFRS head lease differential)	**36.0**	**35.4**
Administrative costs	**8.8**	**9.2**
Service charge income	**(14.6)**	**(14.7)**
Management fees	**(0.8)**	**(0.9)**
Snozone (indoor ski operation) costs	**(9.0)**	**(8.9)**
Share of joint venture & associate expenses	**-**	**0.7**
Less inclusive lease costs recovered through rent	**(2.0)**	**(2.5)**
EPRA costs (including direct vacancy costs)	**18.4**	**18.3**
Direct vacancy costs	**(3.3)**	**(2.8)**
EPRA costs (excluding direct vacancy costs)	**15.1**	**15.5**
Gross rental income	**63.0**	**65.0**
Less ground rent costs	**(2.8)**	**(2.9)**
Share of joint venture & associate gross rental income less ground rent costs	**-**	**2.2**
Less inclusive lease costs recovered through rent	**(2.0)**	**(2.5)**
Gross rental income	**58.2**	**61.8**
EPRA cost ratio (including direct vacancy costs)	**31.6%**	**29.6%**
EPRA cost ratio (excluding vacancy costs)	**25.9%**	**25.1%**