9 March 2021

Capital & Regional plc

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

Full Year Results to 30 December 2020

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 2020.

Lawrence Hutchings, Chief Executive, comments:
"The last 12 months have been the most extraordinary in living memory. Few could have foreseen the scale, devastating impact, or duration of the Covid-19 pandemic which is both a humanitarian and economic crisis. Like the majority of businesses in the sector, all aspects of the Company's operations were materially impacted by the measures put in place by the Government to manage the pandemic. This has put significant pressure on our income, valuations and therefore leverage and we have been appreciative of the support and flexibility provided by our lenders in waiving covenants that would otherwise have breached. Covid-19 has also had the impact of accelerating the underlying long-cycle structural shift in the sector and, in some cases, distorting the balance between physical and online retailing. However, we believe that the combination of our community centre strategy, which had clear sight of the structural changes, and our focus on local destinations providing non-discretionary goods and services has never been more relevant, as evidenced by our relative performance on the areas within our control. The quality and performance of our management platform is recognised by our major shareholders and our lenders and has inherent value which transcends the recent market challenges. Combined with the non-recourse nature of our debt and our central cash we believe this provides a sound base for navigating the short to medium term.

"The plans announced by the Government on 22 February 2021 provide a roadmap for an easing of restrictions including, most critically for our business, the prospect of non-essential retailers being able to re-open in mid-April. We have seen an encouraging bounce-back in trading at those times during the last year when restrictions were eased. This coupled with having achieved leasing volumes in 2020 equivalent to those in 2019 and at average premiums to passing rent and ERV, together with our strong levels of rent collection further reinforces our confidence in our community centre strategy. We look forward to the return to a more normalised trading environment when we will be able to better assess the retail landscape and the needs of the business. This in turn will allow us to determine the best approach for addressing debt levels and shaping the Group's future to capitalise on its strengths as an owner and manager of community shopping centres providing our retailer customers well-located local physical stores on our sustainable £12-15 psf rents whilst acknowledging the critical role they continue to play in an omni channel retailing environment.

"The approach we adopted across our business throughout 2020 and into this year has been focused on preserving value for our shareholders whilst reaffirming our responsibility to our teams and the communities we serve. Our efforts to collect rent and service charge from larger well capitalised and profitable retailers have enabled us to support smaller and independent retailers whilst meeting our own obligations. I would like to thank all our team members for their dedication, focus, commitment and contribution to our values and culture during an extraordinary year of uncertainty, disruption and challenge. Our customer-facing employees deserve special mention. They have worked tirelessly to ensure our guests are able to access essential services across our centres, whilst ensuring our environments are safe places for communities to visit - in accordance with the Government regulations."

Operational impact of Covid-19 mitigated by community centre strategy
- Our strategic shift to focus on providing non-discretionary goods and services ensured that all seven of the Company's community shopping centres remained open throughout the entirety of 2020, with approximately 30% of retailers able to trade throughout the year
- 98% of units were back up and trading in mid-December when new tier restrictions took effect requiring the closure of non-essential retail. Approximately 30% of units are currently trading
- Footfall significantly impacted by Covid-19, but 44.7 million visits across the portfolio outperformed the national index by 3.7%, with strong momentum towards normal levels during periods of eased restrictions
- 80% of rent has so far been collected for the 2020 Financial Year. Rent collection for Q1 2021 is currently running at approximately 60% with deals agreed that would improve this by a further 10%
- 63 new lettings and renewals during the year in line with prior year volume of deals and transacted at an average 22.1% above previous passing rent and 5.6% above ERV
- Occupancy has remained resilient at 92% (December 2019: 97.2%)

- Net Rental Income (NRI) down £15.2 million to £34.1 million (December 2019: £49.3 million), largely as a result of Covid-19, driving reduction in Adjusted Profit[1] to £10.3 million (December 2019: £27.4 million)
- IFRS Loss for the period of £203.4 million due primarily to a 27.5% fall in property valuations (December 2019: Loss of £121.0 million)
- Exchanged conditional contracts with Long Harbour who will deliver 495 Build to Rent residential units at Walthamstow, where a Resolution to Grant detailed planning consent was secured in January 2021, with full planning expected in the next few months
- Negotiations advancing to lease the entirety of the Debenhams unit in Ilford to a major international retailer. Discussions progressing with the NHS for a new purpose-built community healthcare facility also at Ilford
- Agreement signed with REEF Technology, first of its kind in the UK, to generate additional income streams by introducing new uses and greater efficiency into shopping centre car parks
- Snozone awarded contract for operating the established ski slope at the Xanadu centre in Madrid

Balance sheet supported by high cash reserve levels

- As at 30 December 2020 the Group had total cash on balance sheet of over £80 million, of which £60 million was maintained centrally and without any restriction, equivalent to more than one year's gross rental income
- In light of the current level of uncertainty and desire to maximise cash flexibility, the Group has not declared a Final Dividend and will maintain this position until market circumstances improve
- Net Asset Value per share and EPRA NTA per share, at 150p and 158p respectively (December 2019: 361p and 364p respectively)
- Net LTV of 65% (December 2019: 46%)
- Waivers obtained on all facilities for Q1 2021 income covenants. Discussions ongoing over agreements on longer term covenant relaxation on core facilities

	2020	2019	+/-	+/-%
Net Rental Income	**£34.1m**	£49.3m	-£15.2m	-30.8%
Adjusted Profit[1]	**£10.3m**	£27.4m	-£17.1m	-62.4%
Adjusted Earnings per share[1, 2]	**9.5p**	36.7p	-27.2p	-74.1%
IFRS Loss for the period	**£(203.4)m**	£(121.0)m	-£82.4m	-68.1%
Basic Earnings per share[2]	**(188.3)p**	(162.3)p	-26.0p	-16.0%
Total dividend per share[2]	**-**	21p	-21p	
Net Asset Value (NAV) per share[2]	**150p**	361p	-211p	-58.4%
EPRA NTA per share[2]	**158p**	364p	-206p	-56.6%
Group net debt	**£345.1m**	£336.9m	£8.2m	+2.4%
Net debt to property value	**65%**	46%	-19 pps	

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. In October 2019, EPRA issued new best practice recommendations for financial disclosures by listed real estate companies introducing three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). We have adopted these guidelines in the year ended 30 December 2020 and consider EPRA NTA to be the most relevant measure for our business. 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 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, and other non-operational items. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 5 to the condensed financial statements.

2 Per share amounts have been restated 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 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

Growthpoint's investment into the Company in December 2019 meant that Capital & Regional began 2020 in an optimistic frame of mind with strong cash resources and net debt to property value of 46%, despite a decline in property values.

However, the position rapidly changed and, as we are all well aware, 2020 turned out to be a year of unprecedented challenges for almost everyone, with the retail, leisure and hospitality industries being amongst the hardest hit by significant restrictions on operations imposed as part of Government's efforts to mitigate the impact of the pandemic. This flowed through to the landlords in these sectors and for the Company led to falls in income, profitability and NAV per share while contributing to increasing the ratio of net debt to property value to 65%.

These restrictions materially impacted all aspects of the Company's operations and, in turn, its share price. With falling rental levels, very low investment demand and little transactional evidence valuers marked down the value of shopping centres materially, particularly outside London. This was further exacerbated by a higher rate of corporate failure among retailers who were already under pressure from the continued growth of e-commerce with household names such as Debenhams and Arcadia falling by the wayside. Furthermore, an already difficult environment for rent collection was made even harder by legislation which has prohibited legal remedies to pursue contractual obligations.

As a result the valuation of the Group's property portfolio fell from £727.1 million at 30 December 2019 to £527.0 million at 30 December 2020. While early indications in 2021 are showing the first signs of investor interest in the sector as a recovery play, the potential for further falls in rental values continue to place valuations under threat.

As asset valuations have come under pressure, the Group's net debt to property value ratio has, consequently, increased markedly over the year, from 46% to 65%. Given the challenging circumstances, our lenders have recognised the uniqueness of this situation and have been highly supportive in issuing waivers in respect of covenants which would otherwise have been breached. Management remain in constant dialogue with lenders to agree the most sustainable way forward, and the Board fully recognises the pressures which the current debt level places on the finances of the Company. It is clear the challenges associated with the pandemic will not last forever and we remain alert to the range of options we have available to us to address debt levels.

Throughout the year we have been committed to maintaining our cash resources at the highest possible level, reflected in total cash of £84.1 million compared with £95.9 million at December 2019. The Board's view is that these resources should be used sparingly, primarily focused on investment into value-generating active management initiatives.

Against that backdrop, and without in any way underestimating the impact on shareholders of the Company's finances and share price, I think it is helpful to highlight the operational resilience from the year. All of the Company's centres have remained open throughout the year, with approximately 30% of traders providing essential goods and services during the most extreme phases of lockdown. Rent collection has been a focus for the management team – especially with respect to retailers who were able to pay but chose not to - resulting in 80% of rents due for the year being collected. Footfall also proved to be resilient compared to the national index and we saw an encouraging trend back towards normal levels when centres were fully open at various intervals during the year confirming the validity of the Company's strategy of focusing on needs-based, non-discretionary urban community retail and giving us encouragement regarding patterns of behaviour once restrictions are eased. Finally, we were pleased to report some positive transactional activity during the year with 63 new leases and renewals signed at levels generally well above previous passing rents, agreements in principle for several further material lettings, and in December the signing of a conditional agreement to sell land at Walthamstow for residential development.

Furthermore, while operations in the Snozone business have been heavily impacted throughout the year, with management focusing on cost savings, it is heartening that, post the year end, a new management contract has been signed on a ski slope in central Madrid.

Dividend and Dividend Policy
The final dividend for 2019, paid in (June 2020) was 11 pence per share and the Board introduced a scrip option which was taken up by 78% of shareholders, allowing the preservation of cash as well as demonstrating confidence in the business from major shareholders.

With significant reductions in revenue flows, no interim dividend was announced, and the Board has concluded that it would be equally inappropriate to pay any final dividend for 2020.

While rental flows remain uncertain, coupled with banking covenants which restrict the flow of cash through to the Company, it is not possible to give guidance as to when dividends might resume. The Board is mindful of the distribution requirements under the REIT legislation, and notes some flexibility from HMRC in the current circumstances. However, preservation of cash remains the key consideration for the Board.

ESG
Capital & Regional's long-standing commitment to Environmental, Social and Governance (ESG) best practice and serving its communities is at the heart of the Responsible Business Committee. 2020 brought into sharp focus why this will remain core to our business and just how vital the progress we have made is in creating reassurance, stability and opportunity amidst the challenges associated with Covid-19. We have an unwavering ambition to best serve our employees, retailer customers and communities.

We recognise that stakeholder expectations of how we deliver our community-based shopping experience are evolving rapidly. In line with this, our Responsible Business Committee in 2021 will become known as our ESG Committee. This will enable us to better benchmark against the highest standards and track the performance of our net zero strategy in line with industry best practice.

The next year will continue to pose risk, uncertainty and opportunity. However, our business is built to adapt and collaborate with stakeholders to bring the innovation necessary to deliver the next chapter of our industry.

Board
I was delighted to welcome Katie Wadey to the Board in October 2020. Katie brings a very interesting and relevant customer focused perspective which will be of real value to the Company in facing the challenges of a fast-evolving retail marketplace and changing consumer behaviour.

Given the financial circumstances of the past twelve months, the Board has decided not to make any further Board appointments in the near future. As such, while Tony Hales will stand down at the 2021 AGM, my colleagues Ian Krieger and Laura White have agreed to take on Tony's roles, respectively, as Senior Independent Director and Chair of the Remuneration Committee.

People
Finally I would like to record my thanks to our shareholders and lenders, as well as to my Board colleagues, for their support during this extraordinarily difficult year. Most of all, however, I want to place on record my appreciation of the exceptional effort given by our staff at every level of the business, which has enabled the Company to withstand the challenges faced.

Chief Executive's statement

Drafting this statement, I reflect on where we were in March last year and I am reminded of the references to Covid-19 by both our then Chairman and myself. Few could have seen the scale, impacts or duration of the crisis – an event unprecedented in our time.

The Covid-19 pandemic represents a humanitarian crisis firstly and then an economic one. This is the approach we have adopted across our business during 2020 and into this year. Our responsibility to our teams and the communities we serve hasn't wavered. I would like to thank all our team members for their dedication, focus, commitment and contribution to our values and culture over these past 12 months. The compassion that has been shown to fellow colleagues and our communities and stakeholders has been an inspiration during an extraordinary year of uncertainty, disruption and challenge. Our customer facing employees deserve special mention. They have worked tirelessly to ensure our guests are able to access essential services across our centres, whilst ensuring our environments are safe places for communities to visit - in accordance with the Government regulations.

Our commitment to building strong relationships with our council partners came to the fore as we worked hand-in-hand to provide car parking for key workers and collaborated to align messaging and enforcement of the Government measures. This included supporting our retailer customers with Covid-19 secure store environments, external queue management and click and collect services.

We redirected the money usually allocated for our team Christmas celebrations to charities in each of our communities in addition to the significant amount we do for Community Groups across our Portfolio. In partnership with the local councils, we were proud to ensure our donations supported those most impacted by the Covid-19 crisis. We have also been committed to ensuring that team members who can work remotely are able to while staying connected to the wider Capital & Regional community through a series of initiatives. In addition, we have provided targeted support to those most impacted by the effects of isolation and concern over the future.

Beyond Covid-19, I want to acknowledge and reiterate that we remain committed to creating an inclusive culture that does not discriminate and I am very proud of the diversity across the entire spectrum of backgrounds, beliefs, cultures, gender and life choices that our company enjoys.

As the chairman has acknowledged, the impact of Covid-19 on our sector and business has been immense. The three national lockdowns and the series of restrictions had a significant impact on all our key operating metrics; including NRI, adjusted profit, portfolio value, balance sheet and ultimately our share price. Our response to the closure of stores has centred on supporting those smaller and independent businesses that are genuinely struggling. This backbone of the UK retail industry represents a larger percentage of our income than many of our peers. Due to our community centre positioning we are constantly striving to curate the right blend of national brands and local retailers and service providers to tailor our merchandising mix to the unique and evolving needs of each individual community.

We have also engaged with the larger national, and in some cases international chain stores to ensure they meet their contractual obligations. This is essential in enabling us to support a greater number of small businesses and meet our financial obligations to staff, suppliers and lenders. Unfortunately, our efforts haven't always resulted in the outcome required. As of today, over 60 per cent of arrears are concentrated in our top 20 retailers. This is disappointing given most of these businesses are well capitalised and profitable.

Continuing on the theme of retailer support, we have placed our full weight behind national campaigns led by our industry bodies to increase awareness of the importance of the high street and local physical retail. There is a considerable body of research that indicates that strong retail and services hubs are at the heart of local community and how people perceive where they live. We have also supported the campaign to review business rates with a view to rebalancing the tax take between the physical and online channels – this is a positive approach in partnership with the British Retail Consortium and other retailer groups.

We are encouraged by how quickly our centres rebounded following the easing of restrictions at various points last year. In some cases our centres went from trading 30 per cent of stores to 96 per cent of stores in 48 hours, a testament to the relevance of our centres and retailers and the quality and adaptability of our teams.

The near monopoly that physical retailing has enjoyed for centuries on the distribution of goods and services continues to be disrupted by online and digital platforms which have experienced significant growth as a result of the Covid-19 pandemic and the severe restrictions on non-essential physical stores. Our community centre strategy launched in December 2017 and the progress made during 2018 and 2019 placed us in a stronger relative position to our peer group, albeit not immune. Our focus on non-discretionary goods and services enabled on average 30 per cent of our stores to remain trading, where other centres were forced to close. New customers discovered 'local shopping' as they worked and schooled from home, allowing our footfall to outperform the national index throughout.

Our investments in improving our adoption of technology to aggregate data from across our business, to gain enhanced insights and greater agility and efficiency, is encouraging and watching our teams respond and grow is both exciting and rewarding. Leveraging these investments, we have moved quickly to closely scrutinise our structure and cost base consolidating the 20% saving in central overhead delivered over the last four years and decentralising the business to more local decision making supported by technology and systems. This rigour continued at centre level where we restructured the provision of services across the centres resulting in a cost saving of c.10% in service charges for our retailer customers for 2020.

Looking forward we are confident in our community centre positioning which is focussed on "needs" or "essential" retail and services. We believe the acceleration of structural change will work to our benefit as we further progress the process we started three years ago of remerchandising our centres in line with our community centre strategy. This format will attract new retail and services including medical centres, employment offices and retailers who formerly only operated out of town but now need to respond to a growing number of consumers who no longer have cars, especially in and around our highly urbanised and growing London centres.

We believe in shopping local and the critical role that our centres play serving their communities. The attraction to retailers is supported by our low average rents at £12-15 psf and knowledge that low margin, low average transaction value, high volume retailing poses considerable challenges to the high cost economics of online. We must however not take that for granted and work tirelessly to continually innovate, curate, tailor and adjust our centres customer proposition and develop our teams.

Our Snozone leisure business was impacted by the restrictions and the team responded dynamically to the challenge of the various levels of restrictions and lockdown. We are acknowledged as the leading operator in the field and this was endorsed when the team was appointed to operate the established ski slope at the Xanadu leisure destination in Madrid. This is a world class facility and a well-established business and an important step in Snozone's growth at low investment and risk. Congratulations to Nick Phillips who runs the business and his team.

We have also taken meaningful steps to advance our responsible business and ESG agenda. Over the last year, we have seen the effects of climate change and lived through tremendous societal challenges and unrest. The expectations of business have never been higher to lead with purpose and to help drive progress on these complex issues. Capital & Regional has recently taken steps to evaluate what is most relevant and important to our business by completing a materiality analysis and initiating work on a broader ESG strategy. Moving forward, we will build on that work and look for ways to evolve our business practices to be even stronger stewards of both our environment and the communities in which we live and work. Our focus is not driven solely by regulation or governance, but rather a commitment to the retailer customers and communities we serve. We are focusing our attention and resources to this over the next 12 months and look forward to sharing our progress along the way.

Finally I would like to say thank you to our stakeholders for their forbearance this year, it has been a tough journey for all and we appreciate your support.

Operating review

Impact of Covid-19

All seven of the Company's community shopping centres remained open throughout 2020 providing essential services to the communities we serve. Despite the restrictions on trading having had a pervasive impact on operating and financial metrics for the year, it is clear that our "needs-based essential" offer and positioning is now more relevant than ever as a number of structural trends that were already under way in the retail industry have rapidly accelerated. Our strategic focus on local community centres providing non-discretionary and essential goods and services has clearly assisted in mitigating the impact of the pandemic on the Group on a relative basis to our retail peer group. This provides the business with a sound platform for navigating these unprecedented times and ultimately the recovery from Covid-19 restrictions.

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

- Enhanced deep cleaning, introducing sanitising stations at key locations and providing PPE for all centre employees;
- We put in place arrows and signage in common areas to encourage directional flow and a one-way system, as well as providing distancing reminders;
- We limited the number of people using guest facilities, escalators, stairs and lifts at any one time; and
- Removed most public seating to discourage congregation and close contact.

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

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

New lettings, renewals and rent reviews

There were 63 new lettings and renewals in the period. Both new lettings and renewals were made at an average premium to ERV. Overall, the transactions resulted in a combined average premium of 22.1%[1] to previous passing rent and a 5.6%[1] combined average premium to ERV.

	Year ended 30 December 2020
New Lettings	
Number of new lettings	**40**
Rent from new lettings	**£1.2m**
Comparison to ERV[1]	**+4.90%**
Renewals settled	
Renewals settled	**23**
Revised rent	**£1.3m**
Comparison to ERV[1]	**+6.63%**
Combined new lettings and renewals	
Comparison to previous rent[1]	**+22.1%**
Comparison to ERV[1]	**+5.6%**
Rent reviews	
Reviews settled	**16**
Revised passing rent	**£1.1m**
Uplift to previous rent	**+1.7%**

[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 by concern over a 'no deal' Brexit and trading uncertainty caused by the Covid-19 pandemic contributed to a slowing of leasing momentum. However, as detailed above, strong progress was still made in securing a number of key deals across the portfolio. Activity in 2020 included a new letting to Pure Gym in Maidstone, taking the second floor of the former BHS space, EE in Walthamstow, and Lidl in Luton, taking the ground floor of the former M&S store. Significant traction has been made with commercial mall income, with a focus on smaller independent retailers and reflected in a year-on-year increase in the number of new lettings. This reflects both the increased focus and investment in the commercial team where we are undertaking a growing number of transactions on a principal to principal basis through new and existing relationships. Our management platform is increasingly recognised as a leader in the sector.

Key renewals across 2020 included H&M and Next in Blackburn and Luton, H&M in Blackburn, McDonalds in Maidstone and TK Maxx in Luton.

Consistent with our community centre strategy, personal and professional services are a key part of the offer and therefore we are pleased that detailed discussions continue with the NHS for a new purpose-built community healthcare facility at The Exchange, Ilford. This facility is another example of how important Community or local retail provision is to a wide range of uses and we are in active discussion in other centres in our portfolio for these primary health care facilities designed to create more capacity for the NHS and greater accessibility for those needing non trauma medical care.

We are also in advanced negotiations for an agreement for a new letting of the entirety of the Debenhams unit in Ilford to a major international retailer. The two lettings will be transformational for The Exchange and represent new destination uses that are aligned to our community strategy.

Impact of CVAs and administrations

There were 17 Company Voluntary Arrangements (CVAs) or administrations involving national retailers that impacted our portfolio in 2020 (2019: 8), including New Look, Travelodge, Select, Debenhams, Peacocks and Bonmarche, Arcadia and Moss Bros. CVAs and administrations in 2020 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 although as a result of the progress we have made in embedding our non-discretionary community shopping centre strategy our reliance on such categories is much less than it once was. Rent from Fashion operators represented approximately 19% of the Group's Contracted Rent at 30 December 2020.

The total impact upon 2020 NRI of 2020 CVAs and administrations was £4.4 million. This includes c. £1.4 million from the write off of incentives to tenants who have entered administration during the period.

Debenhams remained in occupation of three stores in the portfolio as at the year end and as of the time of writing but the business is expected to cease trading all of its physical stores in the coming months. While the incremental rental loss of Debenhams ceasing trading is not material, if vacant the annual empty rates and service charge cost to the Company for the three units will be approximately £2.1 million. The Group has offers on all three Debenhams stores, encompassing a range of short to longer term solutions, and have agreed terms on two of them.

Operational performance

Under Government restrictions retailers classed as 'non-essential' were required to close from 23 March to 15 June 2020 and again from 5 November to 2 December 2020. This saw the proportion of units at our shopping centres open fall at times to less than a third. In between the two periods we had seen a strong return to physical trading with 97% of units back open. This peaked further at 98% following the easing of restrictions from 2 December 2020 however regional Tier restrictions, phased in across the country in late December, again required further closures significantly affecting the peak Christmas trading. All non-essential retail not already closed was required to do so on 5 January 2021 on announcement of the further national lockdown and remains closed at the time of writing. We have been working closely with our occupiers throughout the year supporting those who were able to continue trading and helping prepare and support those impacted by the various periods of closure.

Footfall has been significantly impacted by restrictions on trading throughout the year and the need to manage capacity at our centres due to social distancing measures. In total, there were 44.7 million visits to our centres during 2020, 41.6%[1] lower than the prior year on a like for like basis but outperforming the national index by 3.7%.

Car park usage and income has also been impacted in 2020 by the Covid-19 pandemic. Car park charges were waived throughout the first lockdown from March to June 2020 to support key workers and those who needed to use their cars to access essential services, and to help minimise touchpoints within centres. Car park usage was down 42.4%[1] from 2019, resulting in a 45.8% drop in car park income to £5.8 million.

In response to the first National Lockdown, we assessed how to adjust the delivery of services to better suit the trading conditions of our centres. As a result, we successfully managed to reduce service charge costs during the lockdown months of April and May by an average of 32% across the portfolio. At the same time we also undertook a comprehensive review of our centre operating model. The review resulted in the restructuring and streamlining of teams and services. In doing so, we have managed to successfully reduce the 2021 service charge by an average of 13% across the portfolio, equating to approximately £2.5 million

[1] Like-for-like figures exclude Walthamstow from Week 30 to 34 due to centre being closed for the equivalent weeks in 2019 due to a fire.

Rent Collection

There was significant focus in 2020 on rent collection. Our retailer customers' ability to trade was impacted throughout the year by the restrictions that were put in place, and the Government's introduction of a rent moratorium compromised the measures we would normally have available as a last resort to protect our contractual positions; particularly in the unfortunate cases where some large well-funded retailers were able but unwilling to pay. In response, we have dedicated significant resource to this area, assembling a team from across the business to best utilise our relationships with our tenant base at all levels. We have worked closely with our retailers to understand the specific impact of Covid-19 on their individual businesses, seeking to come to agreements that amicably resolve the position and appropriately share the cost of periods when retailers have been unable to operate. These agreements have typically provided some form of a modest concession in return for settling the remainder of their rent arrears and their service charge obligations in full.

Total rent collection for the financial year 2020 is currently at approximately 80%. Total concessions granted in the year equate to £1.4 million before VAT, representing approximately 2.7% of the total rent billed. We have provided within the year end accounts for approximately half of the remaining balance that is due.

Rent collection for the first quarter of 2021, including monthly invoices for January and February 2021, is running at approximately 60% and we have agreed deals with tenants that would improve this by approximately 10%. The table below provides further detail:

	Rent collected 12m to 30 December 2020		Rent collected Q1 2021	
	£m		**£m**	
Rent collected	50.5	80.6%	7.1	59.7%
Concessions provided	1.7	2.7%	0.1	1.2%
Written off	1.6	2.5%	-	-
Outstanding	8.9	14.2%	4.7	39.1%
Total billed	**62.7**	**100%**	**11.9**	**100%**

Amounts include VAT, amounts billed are up to end of February 2021.

Rental income and occupancy

	30 December 2020	30 December 2019
Contracted rent (£m)	**52.7**	60.8
Passing rent (£m)	**51.7**	58.8
Occupancy (%)	**92.1**	97.2

Contracted and passing rent fell by 13.3% and 12.1% respectively in the year reflecting the increase in voids and the impact of CVAs and administrations, most prominently the administration of Debenhams which had accounted for £1.7 million of rent at the end of 2019. Occupancy fell to 92.1% (December 2019: 97.2%) reflecting primarily the impact of Covid-19 particularly in the disruption to the peak Christmas trading period.

Capital expenditure

In March 2020, in light of the Covid-19 pandemic, we reviewed all capital expenditure and significantly reduced the spend that had been planned, rationing expenditure to only those projects that were already committed, drive immediate income returns or are of wider strategic importance. As part of this the proposed Hemel Hempstead cinema project was effectively stopped, given the impact on the leisure sector. Alternative options for the scheme are being progressed.

In total £14.8 million was invested in 2020 (2019: £12 million). Primary projects included: works to facilitate the letting of the former BHS space in Maidstone to Matalan and Pure Gym (£2.3 million); progression of the Walthamstow residential opportunity (£3.2 million); works completed on the rebuild of Walthamstow including the planned new food court outside of the basic rebuild cost covered by insurance (£4.4 million); and works to create a new unit for Lidl from the former M&S space in Luton (£0.7 million).

Walthamstow residential opportunity
We have continued to progress our residential opportunity throughout 2020. Having identified a favoured delivery partner following a comprehensive marketing process, we exchanged conditional contracts with Long Harbour in December 2020. Long Harbour will deliver 495 residential units as a Build to Rent proposition. The contract is subject to a number of pre-conditions to satisfy, the most notable of which relates to securing final approval of the planning consent and associated obligations on terms that align with the commercial parameters agreed between us.

In parallel with the residential contract negotiations, we made significant progress in finalising the overall scheme design, which also incorporates 47,000 sq ft of additional commercial floor space, a further 43 residential units and provision for a new station entrance for the Victoria Line underground station in the heart of the scheme. Detailed planning applications were submitted before the year-end and a resolution to grant planning consent was secured from London Borough of Waltham Forest on 27 January 2021. Formal and final approval remains subject to referral and sign off from the Greater London Authority, and we anticipate this being in place by the end of March 2021.

Delivery of the Long Harbour residential scheme would represent the first phase of the wider development opportunity. Assuming all pre-conditions are satisfied, the current programme envisages a start on site in the autumn 2021, with the contracted land payment of more than £20 million, being triggered at that point. This is more than £1 million ahead of the amount recognised within the year end valuation.

Snozone
Snozone had enjoyed a strong start to 2020 with revenue growth recorded for the first two months of the year but the emergence of the Covid-19 pandemic impacted trade from the end of February and culminated in all operations being required to close under Government guidance on 20 March 2020. Having undertaken stringent risk assessments and precautionary testing, Snozone re-opened its Castleford and Milton Keynes venues on 7 August 2020 when restrictions were lifted, with reduced capacity to ensure social distancing and with reduced trading hours. The array of products and activities on offer to guests, usually around 130, were significantly reduced and the only group activity permitted was in the shape of family ski or snowboard lessons in 'designated bubbles'. As Government guidance changed, the venues were again required to close throughout November and most of December, usually the peak trading months. At the time of writing all venues remain closed, in line with Government restrictions.

Actions were taken to mitigate costs throughout the year, to the fullest extent possible, including the deferral of costs, utilisation of the Government's furlough scheme (£0.8 million) and VAT deferral. The circumstances meant that unfortunately redundancies were required and a number of contracted staff were not retained. Revenue for the year more than halved to £4.6 million (2019: £10.5 million). This resulted in a loss for the year (excluding notional interest on finance leases) of £2.0 million (2019: £1.5 million profit). Since the year end we have had indication that we should be able to recover a substantial amount of the loss for the year through an insurance claim, this is not reflected in the year end numbers.

Management has sought to use the time that the business has been unable to trade to deliver initiatives that will drive long term benefits. These have included the installation of a fully integrated on-line booking and finance platform, which will greatly enhance productivity and greater ease for the customer journey, and the switch to using 100% renewable energy.

The business has also been pursuing opportunities to grow and leverage its highly respected management platform. On 9 February 2021 Snozone took over the operations of the ski slope at the Xanadu leisure destination in Madrid. This is a world class facility and a well-established business and represents an excellent opportunity to grow and develop the Snozone brand at a low level of risk and investment.

Financial review

	2020	2019	Change
Profitability			
Statutory Revenue	**£72.7m**	£88.9m	-18.2%
Net Rental Income (NRI)	**£34.1m**	£49.3m	-30.8%
Adjusted Profit[1]	**£10.3m**	£27.4m	-62.4%
Adjusted Earnings per share (Basic) [1, 2]	**9.5p**	36.7p	-74.1%
IFRS Loss	**£(203.4)m**	£(121.0)m	-£82.4m
Basic Earnings per share[4]	**(188.3)p**	(162.3)p	-26.0p
EPRA cost ratio (excluding vacancy costs)	**41.0%**	25.9%	+15.1%
Net Administrative Expenses to Gross Rent	**20.2%**	10.8%	+9.4%
Investment returns			
Net Asset Value (NAV) per share[2]	**150p**	361p	-211p
EPRA NTA per share[2]	**158p**	364p	-206p
Dividend per share[2]	**-**	21.0p	-21.0p
Financing			
Group net debt	**£345.1m**	£336.9m	+£8.2m
Group net debt to property value	**65%**	46%	-19 pps
Average debt maturity[3]	**4.4 years**	5.4 years	-1 years
Cost of debt	**3.41%**	3.26%	-15 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 5 to the Financial Statements.
[2] Per share amounts for 2019 have been restated to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.
[3] Assuming exercise of all extension options.

Use of Alternative Performance Measures (APMs)
Throughout the results statement we use a range of financial and non-financial measures to assess our performance. The significant measures are as follows:

Alternative performance measure used	Rationale
Adjusted Profit	Adjusted Profit is used as it is considered by management to provide the best indication of the extent to which dividend payments are supported by underlying profits. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments, non-cash charges in respect of share-based payments and other non-operational 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 other items where EPRA is prescriptive. Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held. A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 6 to the condensed financial statements.
Like-for-like amounts	Like-for-like amounts are presented as they measure operating performance adjusted to remove the impact of properties that were only owned for part of the relevant periods. Like-for-like has also been used in the case of footfall and car park income for Walthamstow in removing from year on year comparisons the period of 2019 when the centre was closed due to the fire. 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 financial statements.

Profitability

Amounts in £m	**Year to 30 December 2020**	Year to 30 December 2019
Net rental income (NRI)	**34.1**	49.3
Net interest	**(17.5)**	(18.9)
Investment income	**0.1**	0.2
Central operating costs net of external fees	**(4.7)**	(4.7)
Snozone (loss)/profit (indoor ski operation)	**(1.9)**	1.5
Tax credit	**0.2**	-
Adjusted Profit[1]	**10.3**	27.4
Adjusted Earnings per share (pence)[1,2]	**9.5**	36.7
Reconciliation of Adjusted Profit to statutory result		
Adjusted Profit	**10.3**	27.4
Property revaluation	**(208.3)**	(138.6)
Loss on disposal	**0.4**	(0.5)
Impairment	**-**	(1.4)
(Loss)/Gain on financial instruments	**(5.0)**	(5.0)
Transaction costs on issue of new equity and partial offer	**-**	(2.2)
Other items	**(0.8)**	(0.7)
IFRS loss for year	**(203.4)**	(121.0)

[1] EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the Financial Statements.
[2] Per share amounts for 2019 have been restated to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

Adjusted Profit – 2020: £10.3 million (2019: £27.4 million)
Adjusted Profit and Adjusted Earnings per share decreased by 62.4% and 74.1% respectively, driven by a £15.2 million or 30.8% decrease in NRI, primarily due to the impact of the Covid-19 pandemic. The reduction in NRI has manifested itself across three main areas:

- Impairment of Receivables (Bad debt) charged for the period: £7.3 million (30 December 2019: £1.7 million). The rent collection for 2020 now stands at 80%. In assessing the treatment of the debt that remained outstanding at 30 December 2020, we have considered the underlying credit position of each individual tenant in determining the level of any provision to be made. In total we have provided for approximately 50% of the net debt that was outstanding as at the year end.
- Car park income FY20 £5.8 million (FY19 £10.7 million) – we stopped charging for our car parks once the lockdown at the end of March 2020 restricted the opening of all non-essential retailers. We resumed charging in June, when such restrictions were lifted, and maintained tariffs for the rest of the year however usage remained significantly impacted by trading restrictions particularly during November and December when non-essential retailers were again required to close for significant periods of those months.
- Administrations and CVAs: the impact of CVAs and administrations is approximately £4.4 million. This includes c. £1.4 million from the write off of incentives to tenants who have entered administration during the period.

Other impacts to NRI during the year include the net benefit of £4.0 million of surrender premium relating to a single unit, and a reduction of £2.3 million arising from the adoption of the IFRS 16 leasing standard.

The latter is largely offset by a corresponding £2.0 million reduction in notional interest as detailed in the table below. The adoption of IFRS 16 Leases for the first time has resulted in a notional interest charge being recognised in respect of the lease agreements for the Group's office premises and Snozone operations and the basis for the notional interest on the Group's Head Leases changing. The latter has resulted in a material reduction of the related finance lease asset and liabilities maintained on the Group balance from approximately £65 million to £25.6 million at December 2020.

Amounts in £m	**Year to 30 December 2020**	Year to 30 December 2019
Net Interest on loans	**14.6**	14.6
Amortisation of refinancing costs	**1.0**	0.9
Notional interest charge on finance leases[1]	**1.4**	3.4
Other net interest (receivable)/payable	**0.5**	-
Net Group interest	**17.5**	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 in line with the prior year.

Outside of the movement in NRI the biggest impact on Adjusted Profit year on year is the contribution from Snozone which saw a swing of £3.4 million, from a profit of £1.5 million in 2019 to a loss of £1.9 million in 2020 (excluding notional interest). Snozone was required to close for more than six months of the year, including approximately half of its peak Q4 trading period, and had to manage social distancing restrictions for four of the six months it was able to trade.

IFRS loss for the period – 2020: Loss of £203.4 million (2019: Loss of £121.0 million)
The loss on revaluation of investment properties for the year was £208.3 million (2019: Loss of £138.6 million) and this was the key component driving a loss for the period of £203.4 million. A breakdown of valuations by property is provided in the Net Asset Value section below. The other main factors outside of Adjusted Profit was a loss on financial instruments of £5.0 million, reflecting expectations of interest rates being lower for longer.

Net Asset Value
The valuation of the portfolio at 30 December 2020 was £527.0 million, a 27.5% decline on 30 December 2019 and reflecting a net initial yield of 7.88% (2019: NIY: 6.95%).

The decline of retail asset values across the industry continued to accelerate in 2020 albeit driven largely by sentiment with transaction volumes at historically low levels. The Group's London assets proved relatively more robust, declining overall by 21.8%. In comparison, the Group's assets outside of London were more significantly impacted by negative sentiment towards retail assets with the headline valuation of the Group's three South East assets declining by 34% and Blackburn falling by almost 40% over 2020.

Property portfolio valuation

Property at independent valuation	**30 December 2020**			30 December 2019		
	£m	**NIY%**	**NEY%**	£m	NIY %	NEY%
London						
Ilford	**60.0**	**5.30%**	**7.49%**	77.4	6.06%	6.86%
Walthamstow	**106.6**	**5.17%**	**6.15%**	126.0	5.28%	5.33%
Wood Green	**158.0**	**6.71%**	**6.43%**	211.5	5.48%	5.66%
	324.6	**5.96%**	**6.80%**	414.9	5.54%	5.97%
South East						
Hemel Hempstead	**23.3**	**10.00%**	**12.69%**	34.7	8.50%	10.38%
Luton	**92.5**	**9.8%**	**9.50%**	148.7	8.00%	8.17%
Maidstone	**46.0**	**10.67%**	**10.75%**	61.9	8.38%	9.69%
	161.8	**10.05%**	**10.89%**	245.3	8.17%	9.28%
Regional						
Blackburn	**40.6**	**13.17%**	**12.23%**	66.9	10.24%	10.15%
Portfolio	**527.0**	**7.88%**	**8.26%**	727.1	6.95%	7.62%

The movement in valuations has driven the decline in NAV to £167.8 million and EPRA Net Tangible Assets to £176.7 million compared to December 2019 amounts of £375.1 million and £378.6 million respectively. Basic NAV per share and EPRA NTA per share were 150p and 158p respectively, representing declines of 211p and 206p respectively (December 2019: 361p and 364p respectively).

Dividend
In light of the current level of uncertainty and desire to maximise cash flexibility, the Group has taken the decision not to declare a Final dividend and will maintain this position at least until markets stabilise.

A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. By agreement with HMRC the Group has an extension to the payment date of the balance of the 2019 PID, of approximately £7.6 million, to 30 June 2021 in order to meet its REIT distribution requirements for the financial year ending 2019. The Group has requested a further extension of six months to this deadline given the impact and uncertainties caused to the Group's business by COVID-19. If the Group were to not be granted an extension and not meet the minimum requirement then under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent whilst remaining a REIT. We estimate that this would result in a tax payment of approximately £1.4 million being required to be paid in respect of the balance of 2019. However this is subject to there being no legal impediment to distribution. At 30 December 2020 the Company does not have sufficient distributable reserves to declare a dividend. If this legal impediment to distribution subsists at the date for payment of the balance of the 2019 PID and the date of payment of the 2020 PID the Group will be deemed to have met the distribution requirement for those periods based on the provisions in CTA 2010 section 530.

Financing

The Group has four non-recourse asset secured loan facilities that each sit within their own ring-fenced special purpose vehicle (SPV) structure. Funding costs of 3.41% are substantially fixed and secured over the medium term with a weighted average 4 years to maturity at 30 December 2020, extending to 4.4 years if the remaining one year extension on part of The Mall facility is exercised. The fall in valuations resulted in net debt to value increasing to 65% (December 2019: 46%).

	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 2020	**£m**	£m	**£m**	%	%	%	%	Years	Years
The Mall (Four Assets)	**265.0**	(10.3)	**254.7**	75%	73%	3.61	100	4.9	5.6
Hemel	**26.9**	(0.9)	**26.0**	115%	112%	3.32	100	2.1	2.1
Ilford	**39.0**	(1.8)	**37.2**	65%	62%	2.76	100	3.2	3.2
Luton	**96.5**	(9.0)	**87.5**	104%	95%	3.14	100	3.0	3.0
Central Cash	**-**	(60.3)	**(60.3)**	-	-	n/a	n/a	n/a	n/a
On balance sheet debt	**427.4**	(82.3)	**345.1**	81%	65%	3.41	95	4.0	4.4

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

From the proceeds of the December 2019 equity raise, the Group had initially earmarked £50 million to pay down debt and has to date only utilised £5 million of this sum, leaving a balance of £45 million (effectively within the £60.3 million of Group cash included in the table above). The Group had previously been in discussions with lenders about utilising a proportion of the remaining funds to voluntarily pay down its four non-recourse debt facilities in the early part of the year, but when it became clear how significant the disruption caused by Covid-19 would be, we took the decision to place such discussions on hold. Our priority since has been to focus our efforts on defending our assets and on ensuring the continued stability and therefore flexibility of the Group to continue to respond to the volatility and acceleration in structural change in the sector.

While on a relative basis the Group has demonstrated operational resilience, the general outlook remains uncertain in respect of precisely how long existing government-mandated restrictions will remain in place, and the risk of further infections or lockdowns or Government restrictions on our operations and ability to collect rent, coupled with the full macro-economic consequences of Covid-19 still being unclear. In consideration of this, the Group has sought to maximise flexibility in its management of liquidity and to prioritise the ability to continue in all reasonable circumstances to service the Group's operational costs, including interest on its loans, and to be able to judiciously invest further in its management platform and capital expenditure in its assets, where that is required for the long term protection of value and sustainability of income.

On this basis, the Group has been in discussions with its relevant lenders on a facility by facility basis to actively manage its loan portfolio, with substantial focus on the impact that the Covid-19 disruption has had on both income and loan to value based covenants on the individual facilities. The Group's lenders have acknowledged the quality of the management platform and the strong relative results in rent collection, occupancy and key leasing initiatives.

On the Hemel Hempstead and Luton facilities, we are mindful that while the loans are not actually in default, the December 2020 valuations are significantly below the covenant levels and a breach would occur if this valuation were to be replicated if and when the lender next independently tests the valuation. We are working closely and constructively with the respective lenders and have covenant waivers currently in place that are being reviewed on a quarter by quarter basis. While we remain committed to managing the assets and delivering the best long term outcome for all stakeholders, with asset values at the end of the year being below the level of the outstanding debt, the economic rationale for committing central funds to cure and/or pay down these non-recourse facilities at the present time is challenging. On Hemel Hempstead, we have exchanged on the disposal of the Edmonds Parade block of assets within the scheme for a price of £4.65 million. The net proceeds of this disposal are planned to be applied in partial prepayment of the outstanding debt.

On The Mall facility, we have obtained a waiver of all financial covenants until the Interest Payment Date (IPD) at the end of April 2021 and are in detailed discussions with the lenders about a longer term extension of these waivers in return for the provision of additional funds.

On Ilford, we have secured a waiver of the financial income covenants until the July 2021 IPD. We have agreed outline terms on a longer term modification of these covenants, covering at least the next 12 months, to facilitate the completion of the proposed major asset management initiatives at the asset, being the planned medical centre and the re-letting of the Debenhams anchor unit, which, if they proceed, the Group will partially fund from central cash.

Going Concern

Under the UK Corporate Governance Code, the Board needs to report whether the business is a going concern. In making its assessment of Going Concern, the Group has considered the general risk environment and specifically the impact on the business of the significant disruption arising from Covid-19 as well as the acceleration of the structural trends that were already under way in the retail industry. At the time of writing, all of the Group's seven shopping centres are open, though a majority of tenants are unable to trade due to current government restrictions and rent collection for the first quarter of 2021 is currently running at approximately 60%.

The valuation of the Group's property portfolio fell from £727.1 million at 30 December 2019 to £527.0 million at 30 December 2020. While there are some indications that investor interest may rebound in 2021, the current pressure on rental values presents a risk of further valuation declines.

As asset valuations have come under pressure, the Group's net debt to property value ratio has, consequently, increased markedly over the year, from 46% to 65%. Our lenders have recognised the unprecedented nature of this situation and have demonstrated their support by granting waivers for the first quarter of 2021 in respect of covenants which would otherwise have been breached. Management remain in regular dialogue with lenders to agree the most appropriate way forward.

At 30 December 2020 the Group had total cash on balance sheet of over £75 million, which is equivalent to more than one year's gross revenue. Of this, £60.3 million was centrally held and free of any restrictions. This provides a significant cash contingency to cover any disruption to operations for an extended period of time.

Management have undertaken actions to improve the preservation of cash within the business while this period of uncertainty persists. These actions include rationing capital expenditure projects to only those that immediately drive income improvements, or are of strategic importance, and suspending the dividend until such time as markets stabilise.

In making its assessment of Going Concern, the Group has run updated Group forecasts on both a base case and sensitised basis. In the latter, the Group has considered the impact of restrictions extending into the second half of 2021. The Group's analysis projects that the central cash maintained provides sufficient funds to cover the potential operational disruption.

The Group's four asset backed loan facilities are ring-fenced within their own SPV structures with no recourse to Capital & Regional plc and no cross-default provisions. Each loan facility has bespoke covenants as outlined on page 37. Covenants in respect of minimum interest cover ratios, both projected and historic, are tested quarterly. The Group has secured short term waivers or deferrals for all income covenants covering at least the first quarter of 2021 and are in constructive and detailed dialogue with the respective lenders on extending these further as detailed in the Financing section above. The earliest maturity on any of the Group's asset backed loan facilities is February 2023.

Hemel and Luton are now in a negative equity position which means that The Mall and Ilford combined assets make up substantively all of the Group's Net Asset Value excluding the central cash balance maintained by the Group at 30 December 2020. In respect of The Mall and Ilford, the central cash balance maintained by the Group at 30 December 2020, in addition to available cash within the relevant structures, provides sufficient funds to remedy the loan to value covenants if values fell by up to a further 15% across these assets by reference to the December 2020 valuations. This is if the Directors chose to take this approach, even without any further covenant relaxation. If valuations fell by in excess of 15% then the Group would be reliant on continued covenant relaxation or would be deemed to be in breach of the facilities. Ongoing discussions with the Group's lenders give Management confidence that the required flexibility could be obtained.

Importantly, all of the Group's four asset backed facilities are non-recourse with no cross-default provisions and all facilities provide the Group with the opportunity to cure breaches of financial covenants or provide for the eventual surrender of assets, without any recourse to the rest of the Group, should the directors choose not to cure in the event that the lenders do not grant further covenant modifications.

In coming to its Going Concern conclusion, the Group has also considered, but not relied upon, other options available to generate or conserve additional cash, to cure loan to value covenants and to fund value accretive capital expenditure and letting initiatives. These include but are not limited to: the potential disposal of assets either in whole or part; the opportunity to crystallise value on the Walthamstow residential development; and the potential raising of additional funds.

Having due regard to all of the above matters and after making appropriate enquiries including considerations of the impact of Covid-19 and sensitivities, the Directors have a reasonable expectation that the Group and the Company have 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.

Viability Statement

In accordance with the 2018 revision of the UK Corporate Governance Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the "Going Concern" provision.

The Board conducted this review for a two-year period to December 2022. Previously the Directors have considered viability over a three-year period but a shorter time frame has been selected at this year end given the high level of volatility and uncertainty that the business is currently facing driven primarily by the impact of Covid-19 and the ongoing longer term structural changes within the retail sector.

The two year period is covered by the Group's annual budget and business planning process and none of the Group's asset backed debt financing are scheduled to mature during the period.

The considerations made by the Directors in concluding on viability mirror those considered within the Going Concern conclusion as documented above. Based on this and the resources and actions available the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2022.

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 2020, 6,270,782 of the Company's shares were held on the JSE share register representing 5.61% of the total shares in issue.

Stuart Wetherly
Group Finance Director

Managing Risk

Risk management approach
The Board has ultimate responsibility for the oversight of risk management within the Group. The Board defines the risk appetite of the Group, establishes a risk management strategy and is responsible for maintaining a robust internal controls system.

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 2020.

Principal risks at 30 December 2020
In June 2020, a number of risks were re-profiled, increasing in both likelihood and significance, due to the impact of the Covid-19 pandemic. The following risks were deemed to have increased in terms or likelihood and/or significance: investment market risk, economic environment risk, treasury risk, tax and regulatory risk, development risk, business disruption (including Covid-19 or other pandemics) risk, responsible business risk, and customer risk. These risks broadly remain unchanged at 30 December 2020 but the pervasive and ongoing impact of the pandemic has increased the risk of further Business Disruption, the treasury risk and economic risk. The potential significance of development risk has been reduced as the number of development projects has decreased.

Potential risks have also been considered, including the impact of Brexit on the transport and supply of goods from the EU to the Group's retailer customers and the knock-on impact on their ability to trade; and the risk that the recovery from the Covid-19 pandemic, the speed and effectiveness of the rollout of the vaccine programme and the reduction in restrictions diverges from current guidance/expected timelines.

Covid-19
The impact of Covid-19 is incorporated within our business disruption from a major incident risk. All of the Group's shopping centres have remained open throughout the pandemic to provide essential services but, at the time of writing, a majority of tenants are currently closed in line with government guidelines. The pandemic has had a pervasive impact on the business felt primarily through reduced levels of rent collection, decreases in non-contracted income such as car park revenue, increased levels of tenant failures and the enforced closure of the Group's Snozone ski operations. The uncertainty around the impact of the Covid-19 pandemic has also resulted in declines in asset valuations, impacting our debt covenants.

We continue to actively monitor the situation and contingency plans are in place to mitigate the further impact on our operations, our shopping centres and our tenants as best we can as the situation continues to develop.

Brexit
The UK left the European Union (EU) at the end of January 2020 and the EU-UK Trade and Cooperation Agreement was formally agreed on 30 December 2020. Whilst these developments have provided some clarity, there remains significant uncertainty over the future impact of Brexit on the economic environment as the terms of the agreement are implemented.

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 has led to low investor demand and high volatility in valuations • Valuation risk from lack of relevant transactional evidence	• Small changes in property market yields or future cash flow assumptions can have a significant effect on valuation • Impact of leverage could magnify the effect on the Group's net assets and risk of breaching loan covenants which could result in potential default of facilities if not cured and therefore the risk of security being enforced • 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
2. Impact of the economic environment		
• Tenant insolvency or distress • Prolonged downturn in tenant demand and pressure on rent levels • Impact of Covid-19 has had a negative effect on general retail sales increasing risk of administrations and insolvencies.	• 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 and/or lenders taking control of secured assets • 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 • Regular monitoring and projections of liquidity, gearing and covenant compliance with regular reporting to the Board • Maintain close relationships with lenders • Option of asset sales if necessary • Facilities are all non-recourse outside of SPV structures
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 loss of REIT status, financial penalties, loss of business or credibility	• Monitoring of REIT compliance • Expert advice taken on tax positions • 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 or situation develops that has a significant impact upon trading. This could be something specific to a centre or trading location (e.g. the fire at Walthamstow in 2019) or a situation such as Covid-19 that impacts trading on a national scale.	• 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 • Ensuring centres and support office are compliant with Covid-19-secure requirements. • Regular liaison with the police and environmental health officers • 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 • A risk that centres or specific retailers are identified as a ‘hotspot’ for Covid-19 transmission.	• 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 • Ensuring centres and support office are compliant with Covid-19-secure requirements. • Ensuring retailers comply with Covid-19-secure requirements 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 • A risk that Covid-19 will further accelerate changing customer shopping habits and accelerate the trend towards online shopping.	• 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. IT & Cybersecurity

• Failure or malicious attack against the Group's information technology hardware and software systems • Failure to invest in new technology	• Loss of business time and/or reputational damage. • Data breaches resulting in reputational damage, fines or regulatory penalties • Loss of operating capabilities	• IT Security Governance Policy in place • Ongoing investment in technology infrastructure • Key IT applications hosted offsite • Systems in place to mitigate risk of malicious attack • Penetration testing carried out by a specialist security company • Information security training programme in place for all employees • Maintenance of a disaster recovery site • Insurance maintained

Unaudited preliminary consolidated income statement

For the year to 30 December 2020

	Note	2020 £m	2019 £m
Revenue	3	**72.7**	88.9
Expected credit loss		**(7.3)**	(1.7)
Cost of sales		**(27.9)**	(33.6)
Gross profit		**37.5**	53.6
Administrative costs		**(12.0)**	(8.8)
Loss on revaluation of investment properties		**(208.3)**	(138.6)
Other gains and losses		**1.6**	(1.5)
Transaction costs in association with Partial Offer and equity raise		**-**	(2.2)
Loss on ordinary activities before financing		**(181.2)**	(97.5)
Finance income		**0.4**	0.4
Finance costs		**(22.8)**	(23.9)
Loss before tax		**(203.6)**	(121.0)
Tax credit	4a	**0.2**	-
Loss for the year	2a	**(203.4)**	(121.0)
All results derive from continuing operations.			
Basic earnings per share	5a	**(188.3)p**	(162.3)p
Diluted earnings per share	5a	**(188.3)p**	(162.3)p
EPRA basic earnings per share	5a	**9.2p**	35.0p
EPRA diluted earnings per share	5a	**9.2p**	35.0p

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

Unaudited preliminary consolidated statement of comprehensive income

For the year to 30 December 2020

	2020 £m	2019 £m
Loss for the year	**(203.4)**	**(121.0)**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**-**	-
Total items that may be reclassified subsequently to profit or loss	**-**	-
Total comprehensive expense for the year	**(203.4)**	**(121.0)**

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 announcement are industry best practice performance measures established by the European Public Real Estate Association (EPRA). These reflect the updated guidance issued by EPRA in October 2019. 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 reinstatement value (NRV), net tangible assets (NTA) and net disposal value (NDV) are shown in Note 12 to these financial statements. We consider EPRA NTA to be the most relevant measure for our business.

Unaudited preliminary consolidated balance sheet

At 30 December 2020

	Note	2020 £m	2019 £m
Non-current assets			
Investment properties	6	**536.1**	**770.9**
Plant and equipment		**2.5**	**2.2**
Right of use assets	7	**12.2**	**-**
Fixed asset investments		**0.9**	**1.2**
Receivables	8	**14.2**	**14.7**
Total non-current assets		**565.9**	**789.0**
Current assets			
Receivables	8	**21.3**	**15.4**
Cash and cash equivalents	9	**84.1**	**95.9**
Total current assets		**105.4**	**111.3**
Total assets	2b	**671.3**	**900.3**
Current liabilities			
Trade and other payables		**(31.9)**	**(35.7)**
Total current liabilities		**(31.9)**	**(35.7)**
Net current assets		**73.5**	**75.6**
Non-current liabilities			
Bank loans	10	**(423.9)**	**(422.8)**
Other payables		**(0.2)**	**(1.8)**
Derivatives		**(8.9)**	**(3.4)**
Obligations under finance leases		**(38.6)**	**(61.5)**
Total non-current liabilities		**(471.6)**	**(489.5)**
Total liabilities	2b	**(503.5)**	**(525.2)**
Net assets		**167.8**	**375.1**
Equity			
Share capital		**11.2**	**10.4**
Share premium		**244.3**	**238.0**
Merger reserve		**60.3**	**60.3**
Capital redemption reserve		**4.4**	**4.4**
Own shares reserve		**-**	**-**
Retained earnings		**(152.4)**	**62.0**
Equity shareholders' funds		**167.8**	**375.1**
Basic net assets per share	12	**150.1p**	**361.1p**
EPRA net reinstatement value per share	12	**157.6p**	**363.5p**
EPRA net tangible assets per share	12	**157.6p**	**363.5p**
EPRA net disposal value per share	12	**139.4p**	**355.9p**

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

Unaudited preliminary consolidated statement of changes in equity

For the year to 30 December 2020

	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 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
Balance at 30 December 2019	**10.4**	**238.0**	**60.3**	**4.4**	**-**	**62.0**	**375.1**
Loss for the year	-	-	-	-	-	(203.4)	(203.4)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	-	**-**	**(203.4)**	**(203.4)**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.4	0.4
Dividends paid, net of scrip	-	-	-	-	-	(4.3)	(4.3)
Shares issued, net of costs[4]	0.8	6.3	-	-	-	(7.1)	-
Balance at 30 December 2020	**11.2**	**244.3**	**60.3**	**4.4**	**-**	**(152.4)**	**167.8**

Notes:

1 These reserves are not distributable.

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

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

4 Scrip dividends paid, no impact on total equity

Unaudited preliminary consolidated cash flow statement

For the year to 30 December 2020

	Note	2020 £m	2019 £m
Operating activities			
Net cash from operations	11	**17.9**	37.5
Distributions received from fixed asset investments		**1.5**	2.3
Interest paid		**(14.3)**	(14.8)
Interest received		**0.2**	0.2
Cash flows from operating activities		**5.3**	25.2
Investing activities			
Disposals		**4.9**	-
Purchase of plant and equipment		**(0.8)**	(0.7)
Capital expenditure on investment properties		**(15.6)**	(12.7)
Cash flows from investing activities		**(11.5)**	(13.4)
Financing activities			
Dividends paid, net of scrip		**(4.2)**	(11.6)
Bank loans repaid		**-**	(11.0)
Issue of ordinary shares		**-**	74.7
Fixed payments under head leases		**(1.4)**	-
Cash flows from financing activities		**(5.6)**	52.1
Net (decrease)/increase in cash and cash equivalents		**(11.8)**	63.9
Cash and cash equivalents at the beginning of the year		**95.9**	32.0
Cash and cash equivalents at the end of the year	9	**84.1**	95.9

1 Significant Accounting Policies

General information
Capital & Regional plc is a public company limited by shares domiciled and incorporated in England, United Kingdom under the Companies Act 2006. The financial information set out in this announcement does not constitute the Company's statutory financial statements for the years ended 30 December 2020 or 2019. The financial information for the year ended 30 December 2019 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 2020 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 2021.

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.

IFRS 16 Leases
IFRS 16 replaces IAS 17 “Leases” and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group’s balance sheet, and the recognition of a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. The group has recognised, on the balance sheet, an asset for its lease of office premises and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites, along with a corresponding liability. The transition to IFRS 16 has also impacted the presentation of our leasehold properties, previously presented as finance leases. As a result of IFRS 16 these have been remeasured to be based on minimum payments where applicable, in the case of our leasehold property in Blackburn, this has been remeasured to nil as there is no minimum payment. This has resulted in a day 2 adjustment of the lease asset and corresponding liability from £61.3 million to £35.6 million.

The Group has applied IFRS 16 using the modified retrospective approach and has not restated comparative information. The transition date of initial application of IFRS 16 for the Group was 31 December 2019.

For investment properties held under leases that are classified as lease liabilities, the properties are initially recognised at the lower of fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a lease liability. After initial recognition, leasehold properties classified as investment properties are held at fair value, and the obligation to the lessor is included in the balance sheet at the present value of the minimum lease payments. The minimum lease payment valuation is re-measured at each balance sheet date and the value of the Group’s right-of-use asset is adjusted accordingly over the lease term.

In the prior year, the Group had four operating leases, relating to office premises and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites. These leases had non-cancellable future lease payments of £17.0 million. After discounting the future lease payments under IFRS 16, the liability on transition was amended to £14.4 million. The Group recognised a right-of-use asset of £14.4 million in property, plant and equipment and a lease liability of £14.4 million at the transition date. The impact at the transition date on the opening retained earnings is £nil. As at 30 December 2020, the net carrying value of the right-of-use asset was £12.2 million and lease liability was £13.0 million. The additional depreciation charge for the right-of-use asset recognised during the year was £2.2 million. The reduction in the lease liability in respect of principal repayments and interest was £1.4 million.

When measuring the lease liabilities for leases that were classified as operating leases, new lease liabilities acquired and lease extensions, the Group discounted lease payments using an incremental borrowing rate specific for each asset based on what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. A discount rate of 3.92% has been used for the support office and 4.04% for Snozone leases. The interest rate has been determined using the effective interest rate.

The reconciliation of the opening balance sheet movement is as follows:

	Pre transition 31 December 2019 £m	IFRS 16 adoption 31 December 2019 £m	Post transition 31 December 2019 £m
Asset associated with head lease obligation	61.3	(35.6)	25.7
Right of use asset	-	14.4	14.4
Obligations under head leases	(61.3)	35.6	(25.7)
Obligations under lease liabilities	-	(14.4)	(14.4)

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.

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, 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 2020	Note	Shopping Centres £m	Snozone £m	Group/ Central £m	**Total £m**
Rental income from external sources	2b	55.6	-	-	**55.6**
Property and void costs		(21.5)	-	-	**(21.5)**
Net rental income		34.1	-	-	**34.1**
Net interest expense		(17.6)	(0.5)	0.6	**(17.5)**
Snozone income/Management fees[1]	2b	-	4.6	2.3	**6.9**
Management expenses		-	(4.3)	(6.5)	**(10.8)**
Investment income		-	-	0.1	**0.1**
Depreciation		-	(2.2)	(0.5)	**(2.7)**
Tax charge		-	-	0.2	**0.2**
Adjusted Profit/(loss)		16.5	(2.4)	(3.8)	**10.3**
Revaluation of properties		(208.3)	-	-	**(208.3)**
Profit on disposal		0.4	-	-	**0.4**
Loss on financial instruments		(5.0)	-	-	**(5.0)**
Share-based payments		-	-	(0.4)	**(0.4)**
Other items		-	-	(0.4)	**(0.4)**
(Loss)/profit		(196.4)	(2.4)	(4.6)	**(203.4)**
Total assets	2b	590.9	14.3	66.1	**671.3**
Total liabilities	2b	(482.9)	(16.0)	(4.6)	**(503.5)**
Net assets		108.0	(1.7)	61.5	**167.8**

[1] 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.

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)	(6.8)	**(15.5)**
Investment income		-	-	0.2	**0.2**
Depreciation		-	(0.3)	(0.2)	**(0.5)**
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.

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	**Year to 30 December 2020 £m**	Year to 30 December 2019 £m
Rental income from external sources	2a	**55.6**	63.0
Service charge income		**11.7**	14.6
Management fees	2a	**2.3**	2.3
Snozone income	2a	**4.6**	10.5
Revenue for reportable segments		**74.2**	90.4
Elimination of inter-segment revenue		**(1.5)**	(1.5)
Rental income earned by associates and joint ventures	2a	**-**	-
Revenue per consolidated income statement	3	**72.7**	88.9

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

Assets	Note	**2020 £m**	**2019 £m**
Wholly-owned assets		**590.9**	820.0
Snozone		**14.3**	3.9
Group/Central		**66.1**	76.4
Total assets of reportable segments and Group assets	2a	**671.3**	900.3
Liabilities			
Wholly-owned assets		**(482.9)**	(514.6)
Snozone		**(16.0)**	(2.0)
Group/Central		**(4.6)**	(8.6)
Total liabilities of reportable segments and Group liabilities	2a	**(503.5)**	(525.2)
Net assets by country			
UK		**166.9**	**375.8**
Germany		**0.9**	**(0.7)**
Group net assets		**167.8**	**375.1**

3 Revenue

	Note	**Year to 30 December 2020 £m**	Year to 30 December **2019** **£m**
Gross rental income		**43.5**	49.6
Ancillary income		**12.1**	13.4
	2a	**55.6**	63.0
Service charge income	2b	**11.7**	14.6
External management fees		**0.8**	0.8
Snozone income	2a	**4.6**	10.5
Revenue per consolidated income statement	2b	**72.7**	88.9

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

4 Tax

4a Tax credit

	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Current tax		
UK corporation tax	-	-
Adjustments in respect of prior years	-	-
Total current tax credit	-	-
Deferred tax		
Origination and reversal of temporary timing differences	**0.2**	-
Total deferred tax	**0.2**	-
Total tax credit	**0.2**	-

£nil (2019: £nil) of the tax charge relates to items included in other comprehensive income.

4b Tax credit reconciliation

	Note	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Loss before tax on continuing operations		**(203.6)**	(121.0)
Expected tax credit at 19% (2019: 19%)		**38.7**	23.0
REIT exempt income and gains		**(38.0)**	(22.2)
Non-allowable expenses and non-taxable items		**0.1**	(0.6)
Excess tax losses		**(0.6)**	(0.2)
Actual tax credit	4a	**0.2**	-

4c Deferred tax

On 17 March 2020, the Finance Act 2020 was substantively enacted confirming that the main UK corporation tax rate will be 19% from 1 April 2020 and that it will remain at 19% for the year from 1 April 2021. Consequently the UK corporation tax rate at which deferred tax is booked in the financial statements is 19% (2019:17%). Prior to 17 March 2020 the previous substantively enacted rate was 17%. After the year end in the Budget on Wednesday 3 March 2021 it was announced that from 1 April 2023 the corporation tax main rate will be increased to 25% applying to profits over £250,000. This is not anticipated to have a material impact on the Group's results.

The Group has recognised a deferred tax asset of £0.2 million (30 December 2019: £nil). The group has recognised deferred tax assets for the non-REIT profit entities in respect of head lease payments and capital allowances to the extent that future matching taxable profits are expected to arise.

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 £22.4 million (30 December 2019: £19.0 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future taxable profit streams and other reasons which may restrict the utilisation of the losses (30 December 2019: £nil). The Group has unused capital losses of £24.9 million (30 December 2019: £24.9 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

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.

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A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. By agreement with HMRC the Group has an extension to the payment date of the balance of the 2019 PID, of approximately £7.6 million, to 30 June 2021 in order to meet its REIT distribution requirements for the financial year ending 2019. The Group has commenced discussions with HMRC in seeking a further extension to this deadline given the impact and uncertainties caused to the Group's business by COVID-19. If the Group were to not be granted an extension and not meet the minimum requirement then under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent whilst remaining a REIT. We estimate that this would result in a tax payment of approximately £1.4 million being required to be paid. However this is subject to there being no legal impediment to distribution. At 30 December 2020 the Company does not have sufficient distributable reserves to declare a dividend. If this legal impediment to distribution subsists at the date for payment of the balance of the 2019 PID and the date of payment of the 2020 PID the Group will be deemed to have met the distribution requirement for those periods based on the provisions in CTA 2010 section 530.

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.

4 Tax (continued)

VAT
During the year the group deferred VAT payments of £3.3 million under the government's deferral scheme. These will be repaid in instalments over the course of 2021.

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 2020			Year to 30 December 2019		
	Note	**Loss**	**EPRA**	**Adjusted Profit**	Loss	EPRA	Adjusted Profit
Profit (£m)							
(Loss) for the year		**(203.4)**	**(203.4)**	**(203.4)**	(121.0)	(121.0)	(121.0)
Revaluation loss on investment properties (net of tax)	5b	**-**	**208.3**	**208.3**	-	140.0	140.0
(Profit)/Loss on disposal (net of tax)	5b	**-**	**(0.4)**	**(0.4)**	-	0.5	0.5
Transaction costs on issue of new equity			**-**	**-**		2.2	2.2
Changes in fair value of financial instruments	5b	**-**	**5.0**	**5.0**	-	5.0	5.0
Share-based payments	2a	**-**	**-**	**0.4**	-	-	0.1
Other items			**0.4**	**0.4**		(0.3)	0.6
(Loss)/profit (£m)		**(203.4)**	**9.9**	**10.3**	(121.0)	26.4	27.4
Earnings per share (pence)		**(188.3)**	**9.2**	**9.5**	**(162.3)**	**35.4**	**36.7**
Diluted earnings per share (pence) [1]		**(188.3)**	**9.2**	**9.5**	**(162.3)**	**35.4**	**36.7**

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

None of the current or prior year earnings related to discontinued operations (2019: none).

Weighted average number of shares (m)	**Year to 30 December 2020**	Year to 30 December 2019
Ordinary shares in issue	**108.0**	746.2
Own shares held	**-**	(0.6)
Basic	**108.0**	745.6
Dilutive contingently issuable shares and share options	**0.3**	3.3
Diluted	**108.3**	748.9

At the end of the year, the Group had 678,919 (2019: 10,698,595 equivalent to approximately 1,069,859 shares after the 10:1 share consolidation completed on 15 January 2020) 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 2020			Year to 30 December 2019		
		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		**(208.3)**	**0.4**	**(5.0)**	(140.0)	-	(5.0)
Associates		**-**	**-**	**-**	-	-	-
Joint ventures		**-**	**-**	**-**	-	(0.5)	-
Tax effect		**-**	**-**	**-**	-	-	-
Total	5a	**(208.3)**	**0.4**	**(5.0)**	(140.0)	(0.5)	(5.0)

5 Earnings per share (continued)

5c Headline earnings per share

Headline earnings per share is an alternative performance measure as required by the JSE Listing Requirements. It has been calculated and presented in line with the JSE guidance.

	Year to 30 December 2020		Year to 30 December 2019	
	Basic	**Diluted**	Basic	Diluted
Profit (£m)				
(Loss) for the year	**(203.4)**	**(203.4)**	(121.0)	(121.0)
Revaluation loss on investment properties (including tax)	**208.3**	**208.3**	140.0	140.0
(Profit)/Loss on disposal (net of tax)	**(0.4)**	**(0.4)**	0.5	0.5
Transaction costs on issue of new equity	**-**	**-**	2.2	2.2
Other items	**0.4**	**0.4**	(0.3)	(0.3)
Headline earnings	**4.9**	**4.9**	21.4	21.4
Weighted average number of shares (m)				
Ordinary shares in issue	**108.0**	**108.0**	746.2	746.2
Own shares held	**-**	**-**	(0.6)	(0.6)
Dilutive contingently issuable shares and share options	**-**	**0.3**	-	3.3
	108.0	**108.3**	745.6	748.9
Headline Earnings per share (pence) Basic/Diluted	**4.6**	**4.5**	28.7	28.6

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

6 Investment properties

6a Wholly-owned properties

	Freehold investment properties	Leasehold investment properties	**Total property assets**
	£m	£m	**£m**
Cost or valuation			
At 30 December 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**
Capital expenditure (excluding capital contributions)	4.2	9.8	**14.0**
Disposal	(4.6)	-	**(4.6)**
Valuation deficit[1]	(98.6)	(109.6)	**(208.2)**
IFRS 16 transition adjustment	-	(36.0)	**(36.0)**
At 30 December 2020	**280.1**	**256.0**	**536.1**

[1] £208.3 million per Income statement as Note 2a includes letting fee amortisation adjustment of £0.1 million.

6b Property assets summary

	30 December 2020	**30 December 2019**
	£m	£m
Investment properties at fair value as reported by the valuer	**527.0**	**727.1**
Add back of lease liabilities	**25.3**	**61.5**
Unamortised tenant incentives on investment properties	**(16.2)**	**(17.7)**
IFRS Property Value	**536.1**	**770.9**

6c Valuations

External valuations at 30 December 2020 were carried out on all of the gross property assets detailed in the table above. The fair value was £527.0 million (2019: £727.1 million). External valuations were carried out on all of the property assets detailed in the table above. The valuations at 30 December 2020 were carried out by independent qualified professional valuers from CBRE Limited and Knight Frank LLP in accordance with RICS standards. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations.

7 Leases

Right of use Assets	Buildings £m
Cost	
At 1 January 2020	14.4
Additions	-
Disposals	-
At 30 December 2020	14.4
Accumulated depreciation	
At 1 January 2020	-
Charge for the year	2.2
Disposals	-
At 30 December 2020	2.2
Carrying value	
At 30 December 2020	12.2

Lease commitments relate to the leasing of the Group's registered office and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites

8 Receivables

	30 December 2020 £m	30 December 2019 £m
Amounts falling due after one year:		
Financial assets		
Deferred tax	**0.2**	-
	0.2	-
Non-financial assets		
Unamortised tenant incentives	**3.8**	4.5
Unamortised rent free periods	**10.2**	10.2
	14.2	14.7
Amounts falling due within one year:		
Financial assets		
Trade receivables (net of allowances)	**14.7**	6.5
Other receivables	**2.7**	1.3
Accrued income	**0.2**	1.1
Non-derivative financial assets	**17.6**	8.9
Non-financial assets		
Prepayments	**1.5**	3.5
Unamortised tenant incentives	**0.8**	1.2
Unamortised rent free periods	**1.4**	1.8
	21.3	15.4

9 Cash and cash equivalents

	30 December 2020 £m	30 December 2019 £m
Cash at bank and in hand	**82.4**	90.5
Security deposits held in rent accounts	**0.6**	0.7
Other restricted balances	**1.1**	4.7
	84.1	95.9

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 2020 were held in Sterling other than £0.1 million which was held in Euros (30 December 2019: £0.3 million).

10 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 2020 £m**	30 December 2019 £m
Secured		
Fixed and swapped bank loans	**427.4**	427.4
Variable rate bank loans	**-**	-
Total borrowings before costs	**427.4**	427.4
Unamortised issue costs	**(3.5)**	(4.6)
Total borrowings after costs	**423.9**	422.8
Analysis of total borrowings after costs		
Current	**-**	-
Non-current	**423.9**	422.8
Total borrowings after costs	**423.9**	422.8

11 Reconciliation of net cash from operations

	Note	**Year to 30 December 2020 £m**	Year to 30 December 2019 £m
Loss for the year		**(203.4)**	**(121.0)**
Adjusted for:			
Income tax charge	4a	**(0.2)**	**-**
Finance income		**(0.4)**	**(0.4)**
Finance expense		**22.8**	**23.9**
Finance lease costs (head lease)		**(0.2)**	**(3.4)**
Loss on revaluation of wholly-owned properties		**208.3**	**138.6**
Depreciation of other fixed assets		**2.7**	**0.5**
Other (gains) and losses		**(1.6)**	**2.7**
Decrease/(increase) in receivables		**(4.9)**	**(0.4)**
(Decrease)/increase in payables		**(5.6)**	**(3.1)**
Non-cash movement relating to share-based payments		**0.4**	**0.1**
Net cash from operations		**17.9**	**37.5**

12 Net assets per share

EPRA has issued recommended bases for the calculation of certain net assets per share information as shown in the following table. On 24 October 2019 EPRA published an update to their guidelines including three new net asset metrics to replace the previous triple net asset and net asset measures. These new metrics are also shown below:

	30 December 2020			30 December 2019
	Net assets £m	**Number of shares million**	**Net assets per share**	Net assets per share
Basic net assets	**167.8**	**111.8**	**150.1p**	361.1p
Own shares held	**-**	**-**		
Dilutive contingently issuable shares and share options	**-**	**0.3**		
Fair value of fixed rate loans (net of tax)	**(11.5)**	**-**		
EPRA triple net assets	**156.3**	**112.1**	**139.4p**	355.9p
Exclude fair value of fixed rate loans (net of tax)	**11.5**			
Exclude fair value of see-through interest rate derivatives	**8.9**			
Exclude deferred tax on unrealised gains/capital allowances	**(0.2)**			
EPRA net assets	**176.5**	**112.1**	**157.4p**	363.5p

12 Net assets per share (continued)

	30 Dec 2020			30 Dec 2019		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	**EPRA NRV £m**	**EPRA NTA £m**	**EPRA NDV £m**
IFRS Equity attributable to shareholders	**167.8**	**167.8**	**167.8**	**375.1**	**375.1**	**375.1**
Exclude fair value of financial instruments	8.9	8.9	-	3.5	3.5	-
Include fair value of fixed interest rate debt	-	-	(11.5)	-	-	(4.4)
Net asset value	**176.7**	**176.7**	**156.3**	**378.6**	**378.6**	**370.7**
Fully diluted number of shares	112.1	112.1	112.1	104.2	104.2	104.2
Net asset value per share	**157.6p**	**157.6p**	**139.4p**	**363.5p**	**363.5p**	**355.9p**

The number of ordinary shares issued and fully paid at 30 December 2020 was 111,819,626 (30 December 2019: 103,884,025 following adjustment for the 10:1 share consolidation completed on 15 January 2020). There have been no changes to the number of shares from 30 December 2020 to the date of this announcement.

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

13 Dividends

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

	Year to 30 December 2020 £m	Year to 30 December 2019 £m
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
Final dividend per share for year ended 30 December 2019 of 11p	11.4	-
Amounts recognised as distributions to equity holders in the year	**11.4**	11.6

14 Ultimate controlling party

Growthpoint Properties Limited ("Growthpoint") holds 52.1% 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 4 January 2021 the prime minister announced the commencement of a national lockdown with all but essential retailers required to close. As at the time of writing approximately 30% of shops across the portfolio were open and trading.

In January 2021 the Group agreed to cancel its undrawn £15 million revolving credit and £7 million Hemel Hempstead capital expenditure facilities.

Snozone

On 12 January 2021 Snozone received confirmation that HMRC had accepted the principle of an outstanding VAT claim. Snozone now expects that it may realise approximately £1.2 million through this claim. No amounts were recognised within the year end accounts on the basis recovery was uncertain at the year end date.

On 9 February 2021 Snozone took over the operations of the ski slope in the Xanadu Shopping Centre in Madrid, acquiring the operating entities for a nominal value of €2.

On 3 March 2021 Snozone were advised that they are likely to recover £2.5 million in respect of a business continuity claim to compensate for the impact of Covid-19. No amounts were recognised within the year end accounts on the basis recovery was uncertain at the year end date.

Covenant information *(Unaudited)*
Wholly-owned assets

Facility	Borrowings £m	Default covenant	30 December 2020
Four Mall assets	**260.0**		
Loan to value		No greater than 70%	Passed
Historic interest cover		No less than 175%	Waived
Projected interest cover		No less than 150%	Waived
Luton	**96.5**		
Loan to value		No greater than 70%	Passed
Debt yield		No less than 8%	Waived
Historic interest cover		No less than 250%	Waived
Projected interest cover		No less than 200%	Waived
Hemel Hempstead	**26.9**		
Loan to gross development value		No greater than 60%	Deferred
Debt to net rent cover		No greater than 9:1	Deferred
Historic interest cover		No less than 175%	Deferred
Projected interest cover		No less than 200%	Deferred
Ilford	**39.0**		
Loan to value		No greater than 70%	Passed
Historic interest cover		No less than 225%	Waived
Projected interest cover		No less than 225%	Waived

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.

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 disposal value represents net asset value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA net reinstatement value is net asset value adjusted to reflect the value required to rebuild the entity and assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives are not expected to crystallise in normal circumstances and deferred taxes on property valuation surpluses are excluded.

EPRA net tangible assets is a proportionally consolidated measure, representing the IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds, the carrying value of intangibles as well as deferred taxation on property and derivative valuations.

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.

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.

Portfolio information *(Unaudited)*
At 30 December 2020

Physical data	
Number of properties	7
Number of lettable units	766
Size (sq ft – million)	3.5
Valuation data	
Properties at independent valuation (£m)	527.0
Adjustments for head leases and tenant incentives (£m)	9.1
Properties as shown in the financial statements (£m)	**536.1**
Revaluation loss in the year (£m)	208.3
Initial yield	7.9%
Equivalent yield	8.6%
Reversion	6.4%
Lease length (years)	
Weighted average lease length to break	4.8
Weighted average lease length to expiry	6.4
Passing rent (£m) of leases expiring in:	
2021	9.0
2022	5.9
2023-2025	10.1
ERV (£m) of leases expiring in:	
2021	9.2
2022	5.3
2023-2025	8.8
Passing rent (£m) subject to review in:	
2021	3.4
2022	4.1
2023-2025	5.9
ERV (£m) of passing rent subject to review in:	
2021	2.8
2022	4.0
2023-2025	5.3
Rental Data	
Contracted rent (£m)	53.1
Passing rent (£m)	51.7
ERV (£m per annum)	55.0
ERV movement (like-for-like)	(15.1)%
Occupancy	92.1%

EPRA performance measures *(Unaudited)*

As at 30 December 2020

	Note	**2020**	2019
EPRA earnings (£m)	5a	**9.9**	26.4
EPRA earnings per share (diluted)	5a	**9.2p**	35.4p
EPRA reinstatement value (£m)	12	**176.7**	378.6
EPRA net reinstatement value per share	12	**158p**	364p
EPRA net tangible assets (£m)	12	**176.7**	378.6
EPRA net tangible assets per share	12	**158p**	364p
EPRA net disposal value (£m)	12	**156.3**	370.7
EPRA net disposal value per share	12	**139p**	356p
EPRA vacancy rate (UK portfolio only)		**7.8%**	2.8%

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

	2020	2019
	£m	£m
Investment property	**527.0**	727.1
Less developments	**-**	-
Completed property portfolio	**527.0**	727.1
Allowance for capital costs	**(2.7)**	(8.7)
Allowance for estimated purchasers' costs	**34.9**	48.0
Grossed up completed property portfolio valuation	**559.2**	766.4
Annualised cash passing rental income	**55.4**	62.9
Property outgoings	**(12.7)**	(12.8)
Annualised net rents	**42.7**	50.1
Add: notional rent expiration of rent free periods or other lease incentives	**0.7**	2.0
Topped up annualised rent	**43.4**	52.1
EPRA net initial yield	**6.5%**	6.5%
EPRA topped-up net initial yield	**6.8%**	6.8%

EPRA Cost ratios

	2020	2019
	£m	£m
Cost of sales (adjusted for IFRS head lease differential)	**34.7**	36.0
Administrative costs	**11.7**	8.8
Service charge income	**(11.6)**	(14.6)
Management fees	**(0.8)**	(0.8)
Snozone (indoor ski operation) costs	**(6.6)**	(9.0)
Less inclusive lease costs recovered through rent	**(2.5)**	(2.0)
EPRA costs (including direct vacancy costs)	**24.9**	18.4
Direct vacancy costs	**(3.9)**	(3.3)
EPRA costs (excluding direct vacancy costs)	**21.0**	15.1
Gross rental income	**55.6**	63.0
Less ground rent costs	**(1.9)**	(2.8)
Share of joint venture & associate gross rental income less ground rent costs	**-**	-
Less inclusive lease costs recovered through rent	**(2.5)**	(2.0)
Gross rental income	**51.2**	58.2
EPRA cost ratio (including direct vacancy costs)	**48.7%**	31.6%
EPRA cost ratio (excluding vacancy costs)	**41.0%**	25.9%

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