



14 August 2018

Capital & Regional plc
(“Capital & Regional” or C&R” or “the Company” or “the Group”)
Half Year Results to 30 June 2018

Capital & Regional plc (LSE: CAL), the UK focused REIT with a portfolio of dominant in-town community shopping centres, today announces its half year results to 30 June 2018.

Lawrence Hutchings, Chief Executive, comments: *“This is a robust set of results which demonstrate that our strategy is delivering for our communities, our retailer customers and our shareholders. Furthermore the combination of strong lettings progress which has driven increased like-for-like rental income, as well as growth in footfall, where we once again comfortably outperformed the national average, and an increase in adjusted profit, all illustrate the resilience of the high quality convenient “needs” focussed community shopping centres that characterise our portfolio. This asset class continues to prove its importance in a polarising retail landscape.*

“We have made progress across all areas of the business including delivery of strategy, centre repositioning, master planning and capex deployment, strengthening the team, retailer relationships, community engagement and cost savings.

“The Board has announced a 5.2% increase in the interim dividend compared to 2017. The Board continues to maintain its medium term objective of dividend growth in a range of 5% and 8% per annum. Given the short term impact of CVAs or administrations the Board expects full year dividend growth in 2018 to be at the low end of this range. We remain confident that the combination of our in-house expertise and the strength and affordability of our underlying assets will enable us to successfully remerchandise and evolve our centres to maintain positive momentum.”

Adjusted Profit growth in face of challenging market conditions supports increased dividend

- Adjusted Profit¹ up 6.9% to £15.5 million (June 2017: £14.5 million) setting the business on track for its fifth consecutive year of Adjusted Profit growth
- Adjusted Earnings per Share¹ up 4.4% to 2.15p (June 2017: 2.06p)
- Interim dividend increased by 5.2% to 1.82p per share (June 2017: 1.73p)
- Net Rental Income on wholly-owned assets up £1 million to £26.0 million (June 2017: £25.0 million), reflecting like for like² growth of 1.3%
- Contracted rent of £62.3 million in line with June 2017
- Cost efficiency programme on track to meet the 2016 target of at least £1.8 million of annualised savings by the end of 2018

Community shopping centre strategy well advanced and delivering growth through remerchandising and deployment of accretive capex plan

- 37.9 million shopper visits in the period, representing like-for-like growth of 1.7% and another period of considerable outperformance of the national footfall index which was down 3.4%
- Continuing occupier demand reflected in high occupancy at 96.9% (30 June 2017: 95.5%)
- 44 new lettings and renewals in the period at a combined average premium of 3.4%³ to previous passing rent and a 3.3%³ premium to ERV
- Capex investment of £6.8 million in period with key projects including Luton office refurbishment, further development of Ilford family area and Hemel guest services and increased pipeline for H2 2018 with average target returns of 9%+
- Conditional planning consent for the extension and residential development at Walthamstow granted in July 2018

Robust balance sheet with long term debt security

- Basic and EPRA NAV per share resilient, at 66p and 65p respectively (December 2017: both 67p).
- Valuation of the wholly-owned portfolio was £883.4 million at 30 June 2018, down 0.4% from December 2017. Total revaluation loss, net of capex and joint ventures, was £12.4 million resulting in a reduction in IFRS Profit for the period to £6.7 million (30 June 2017: £12.1 million)
- Net LTV unchanged at 46% (December 2017: 46%)
- Competitive cost of debt of 3.27% with weighted average debt maturity of 6.8 years⁴

	6 months to June 2018	6 months to June 2017	Year to Dec 2017
Net Rental Income	£26.0m	£25.0m	£51.6m
Adjusted Profit ¹	£15.5m	£14.5m	£29.1m
Adjusted Earnings per share ¹	2.15p	2.06p	4.10p
IFRS Profit for the period	£6.7m	£12.1m	£22.4m
Total dividend per share	1.82p	1.73p	3.64p
Net Asset Value (NAV) per share	66p	68p	67p
EPRA NAV per share	65p	67p	67p
Group net debt	£406.4m	£403.1m	£404.0m
Net debt to property value	46%	46%	46%

Use of Alternative Performance Measures (APMs)

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

Notes

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

¹ Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary. Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 6 to the condensed financial statements.

² Like-for-like excludes the impact of property purchases and sales on year to year comparatives.

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

⁴ As at 30 June 2018, assuming exercise of all extension options.

For further information:

Capital & Regional:

Tel: +44 (0)20 7932 8000

Lawrence Hutchings, Chief Executive

Charles Staveley, Group Finance Director

FTI Consulting:

Tel: +44 (0)20 3727 1000

Richard Sunderland

Email: Capreg@fticonsulting.com

Claire Turvey

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 c. £1 billion 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. It also has a 20% joint venture interest in the Kingfisher Centre in Redditch. Capital & Regional manages these assets through its in-house expert property and asset management platform.

For further information see www.capreg.com.

Forward looking statements

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

Operating review

A key strength of our portfolio is the characteristic dominance of our assets within their locality, coupled with their ability to offer occupiers attractive, affordable and high footfall space which caters for the non-discretionary and value-orientated needs of the local community. This coupled with our team's expertise and ability to create and deliver specialist asset management improvements across a £1.0 billion portfolio of UK shopping centres are the key drivers of Capital & Regional's success.

New lettings, renewals and rent reviews

There were 44 new lettings and renewals during the period at a combined average premium of 3.4%¹ to previous passing rent and a 3.3%¹ premium to ERV.

	6 months to June 2018
New Lettings	
Number of new lettings	21
Rent from new lettings (£m)	£1.4m
Comparison to ERV ¹ (%)	+3.0%
Renewals settled	
Renewals settled	23
Revised rent (£m)	£1.8m
Comparison to ERV ¹ (%)	+3.6%
Combined new lettings and renewals	
Comparison to previous rent ¹	+3.4%
Comparison to ERV ¹	+3.3%
Rent reviews	
Reviews settled	10
Revised passing rent (£m)	£1.2m
Change to previous rent (%)	-1.7%

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

Leasing activity in the period reflected our strategy of remerchandising to diversify uses and tenant mix. New lettings included Bodycare and Smiggle in Blackburn, Chopstix restaurant in Luton and KFC, Muffin Break in Maidstone and Pret at Walthamstow. Renewals were agreed with Boots at Luton, Maidstone and Walthamstow, The Perfume Shop at Ilford, Body Shop at Ilford and Walthamstow and Burger King at Walthamstow. Since the period end we have also agreed a new letting to Superdry demonstrating the continuing appeal of our retail offer in Luton town centre.

£1.2 million of rent reviews were settled in the period across 10 leases with nine of these being agreed at an average increase of 2.2%. However, one inherited lease at Hemel Hempstead with a reversionary clause led to a total fall of 1.7% compared to previous rent.

Operating review

Operational performance

There were 37.9 million shopper visits across our wholly-owned portfolio in the first half of 2018, representing like-for-like growth of 1.7% and another period of considerable outperformance of the national index which was down 3.4%, further evidencing the resilience of our assets and the important role they play in fulfilling the needs of their local community, as well as the impact of our strategy.

A similar trend has continued since 30 June 2018 with footfall up 1.1% for the month of July compared to the national index which was -4.0%.

The relevance of our centres in the omnichannel trading environment was further demonstrated by growth in Click & Collect transactions in the first half of the year, up 35% year on year.

Car park usage was marginally down but car park income was £5.1 million, an increase of 3.3% on a like-for-like basis.

Impact of CVA's/Administrations

As at the time of writing there have been 12 Company Voluntary Arrangements (CVAs) involving national retailers or leisure operators across the UK this year affecting 2,154 stores of which 480 (22%) have been closed or marked for closure. Three of the CVA's involved tenants in 12 units across our wholly-owned portfolio, with just one (8%) unit closure.

In total CVA's and insolvencies in the year to date impacted NRI in the first half of the year by £0.4 million. Based on information available to date the full year impact of CVA's and insolvencies on 2018 NRI is expected to be approximately £1.2 million of which £0.4 million relates to CVA's and £0.8 million to insolvencies.

Rental income and occupancy

	30 June 2018	30 December 2017	30 June 2017
Contracted rent (£m)	62.3	64.1	62.3
Passing rent (£m)	59.2	61.0	59.9
Occupancy (%)	96.9	97.3	95.5

Contracted rent at £62.3 million is in line with June 2017 but down £1.8 million from December 2017 reflecting seasonality, the impact of CVAs and retailer restructurings and £0.4 million of strategic terminations to facilitate development improvements. Passing rent has been impacted by the same factors and £0.9 million of income relating to two large renewals currently in rent free. There is currently £1.8 million of rental income within Contracted rent that is expected to move to Passing rent in the second half of 2018.

Occupancy remained high at 96.9% at 30 June 2018 which was ahead of the 95.5% level at June 2017, marginally below the traditionally higher December equivalent, which was 97.3% in 2017 and benefits from the peak Christmas trading period.

Operating review

Capital expenditure investment

In the first six months of the year we invested £6.8 million of capital expenditure (including tenant incentives) into our assets. We expect the pace of investment to increase in the second half of the year and bring total spend for 2018 in line with our typical expected rate of approximately £15-25 million per annum with average target returns of 9%+. The depth of opportunities across the portfolio enables us to focus investment on those with the most significant impact and thereby provides flexibility, allowing us to respond dynamically to any changes in occupier demand or further evolution of shopper dynamics.

At Luton we will shortly be handing over four floors of newly renovated and previously vacant office space to the local council following a £5.2 million refurbishment project in a letting that both diversifies use and helps footfall by bringing a working population adjacent to the scheme.

We are currently on site to further improve the guest services and introduce exciting new family areas at both Ilford and at Hemel. At Hemel the atrium roof replacement is now substantially complete and work is commencing on improving the appearance of the external units, all as part of the transformation of the scheme and complementing the planned cinema and leisure development. In total there are currently over 20 different projects live across the portfolio driving improvements in our centre facilities and fuelling future rental income.

In July 2018 we passed a significant milestone at Walthamstow when we received conditional planning consent for our exciting extension and redevelopment scheme. Our plans include the addition of 80,000 sq ft of new retail and leisure space and approximately 500 new homes, as well as improved public spaces and community facilities. The scheme and proposal also stand to benefit from Transport for London's new transformational plans for the adjacent underground station.

Other assets and operations

The Kingfisher Centre, Redditch (C&R ownership 20%)

The property was valued at £132.5 million, reflecting a net initial yield of 6.99%. Capital expenditure in the period was £0.1 million. The carrying value of the Group's net investment in The Kingfisher Limited Partnership was £5.4 million at 30 June 2018.

Snozone

Snozone's half year performance again saw growth with revenues increasing 2% to £5.5 million and profits increasing 4% to £1.04 million.

FINANCIAL REVIEW

	Six months to June 2018	Year to Dec 2017	Six months to June 2017
Profitability			
Net Rental Income (NRI) ¹	£26.0m	£51.6m	£25.0m
Adjusted Profit ²	£15.5m	£29.1m	£14.5m
Adjusted Earnings per share	2.15p	4.10p	2.06p
IFRS Profit/(Loss) for the period	£6.7m	£22.4m	£12.1m
EPRA cost ratio (excluding vacancy costs)	23.5%	25.9%	25.3%
Net Administrative Expenses to Gross Rent	10.4%	12.7%	12.1%
Investment returns			
Net Asset Value (NAV) per share	66p	67p	68p
EPRA NAV per share	65p	67p	67p
Dividend per share	1.82p	3.64p	1.73p
Dividend pay-out	84.7%	88.8%	84.0%
Return on equity	1.4%	4.7%	2.5%
Financing			
Group net debt	£406.4m	£404.0m	£403.1m
Group net debt to property value	46%	46%	46%
Average maturity of Group debt ³	6.8 years	7.3 years	7.8 years
Cost of Group debt ⁴	3.27%	3.25%	3.25%

¹ Wholly-owned assets.

² Adjusted Profit is as defined in the Glossary and Note 1 to the Financial Statements. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 6 to the Financial Statements.

³ Assuming exercise of all extension options.

⁴ Assuming all loans fully drawn.

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

Use of Alternative Performance Measures (APMs)

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

Alternative performance measure used	Rationale
Adjusted Profit	<p>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.</p> <p>Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments, non-cash charges in respect of share-based payments and exceptional one-off items.</p> <p>The key differences from EPRA earnings, an industry standard comparable measure, relates to the exclusion of non-cash charges in respect of share-based payments and adjustments in respect of exceptional items where EPRA is prescriptive.</p> <p>Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held.</p> <p>A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 6 to the condensed financial statements.</p>
Like-for-like amounts	<p>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.</p> <p>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.</p>
Net Rent or Net Rental Income (NRI)	<p>Net Rental Income is rental income from properties, less property and management costs (excluding performance fees). It is a standard industry measure. A reconciliation to statutory turnover is provided in Note 3 to the condensed financial statements.</p>

FINANCIAL REVIEW

Profitability

Components of Adjusted Profit and reconciliation to IFRS Profit

<i>Amounts in £m</i>	Six months to June 2018	Year to December 2017	Six months to June 2017
Net Rental Income (NRI)			
Wholly-owned assets	26.0	51.6	25.0
Kingfisher, Redditch ¹	0.7	1.6	0.7
	26.7	53.2	25.7
Net interest (see analysis on next page)	(10.0)	(19.6)	(9.4)
Snozone profit (indoor ski operation)	1.0	1.5	1.0
Central operating costs net of external fees	(2.2)	(5.9)	(2.7)
Tax	-	(0.1)	(0.1)
Adjusted Profit	15.5	29.1	14.5
Adjusted Earnings per share (pence)²	2.15p	4.10p	2.06p
<i>Reconciliation of Adjusted Profit to statutory result</i>			
Adjusted Profit	15.5	29.1	14.5
Property revaluation (including Deferred Tax)	(12.4)	(6.3)	(2.8)
Gain/(loss) on financial instruments	3.1	1.1	0.6
Refinancing costs	-	(0.5)	-
Other items ³	0.5	(1.0)	(0.2)
Profit for the period	6.7	22.4	12.1

¹ See note 8c to the Financial Statements.

² EPRA figures and a reconciliation to EPRA EPS are shown in Note 6 to the condensed Financial Statements.

³ Includes £0.5 million for the non-cash accounting charge in respect of share-based payments (Year to December 2017: £0.9 million, Six months to June 2017: £0.4 million)

Adjusted Profit increased by 6.9% on the prior year driven by a £1.0 million increase in NRI and a £0.5 million reduction in net central operating costs.

NRI from wholly-owned assets increased by £1.0 million or 4.0%. This included the full period benefit of £2.4 million of NRI from The Exchange Ilford, which was acquired on 8 March 2017 and contributed £1.8 million in the six months to 30 June 2017, without which the increase would have been 1.3%.

Net interest increased by £0.6 million compared to the prior year period due to the timing of the Ilford acquisition and a higher interest cost arising from the August 2017 refinancing of Kingfisher Redditch.

Net central operating costs improved by £0.5 million compared to H1 2017 as the benefits of the Group's cost improvement plan continue to be delivered putting the Company firmly on track to meet the target of reducing annual central operating costs by at least £1.8 million, equivalent to c. 20%, since 2016.

Profit for the period of £6.7 million (30 June 2017: £12.1 million) was impacted by the total revaluation loss, net of capex and joint ventures, of £12.4 million.

Financial review

Net Asset Value (NAV)

NAV at £476.9 million and EPRA NAV at £475.0 million decreased marginally (December 2017: £481.4 million and £482.6 million respectively) with dividends paid for the period only partially offset by the profit for the period. On a per share basis Basic NAV and EPRA NAV fell by 1.1p and 1.2p respectively reflecting the lower NAV and a slightly higher number of shares in issue as a result of the Scrip dividend.

Property portfolio valuation

Property at independent valuation	30 June 2018		30 December 2017	
	£m	NIY %	£m	NIY %
Blackburn	111.9	7.04%	121.3	6.65%
Hemel Hempstead	46.8	7.15%	54.0	6.88%
Ilford	84.2	6.00%	82.4	6.54%
Luton	209.0	6.50%	214.0	6.35%
Maidstone	75.5	7.00%	76.0	6.70%
Walthamstow	116.0	5.00%	107.7	5.25%
Wood Green	240.0	5.11%	231.2	5.25%
Wholly-owned portfolio	883.4	6.04%	886.6	6.06%

The valuation of the wholly-owned portfolio at 30 June 2018 was £883.4 million, reflecting a net initial yield of 6.04%. Net of Capex spent in the period of £6.8 million (including tenant incentives) this resulted in a revaluation loss on wholly-owned assets of £10.3 million or £12.4 million on a see-through basis. Yields on the Group's London assets saw some inward shift reflecting strong transactional activity of comparable assets in Central London and progress on residential options and other alternative uses. Valuations on the Group's regional assets saw some declines largely reflecting outward market yield shift and in cases the loss of income through CVA's or retailer restructurings.

Financing

Net interest

Amounts in £m	Six months to 30 June 2018	Year to 30 December 2017	Six months to 30 June 2017
Wholly-owned assets			
Net Interest on loans	7.2	14.0	6.9
Amortisation of refinancing costs	0.4	1.0	0.4
Notional interest charge on head leases ¹	1.7	3.4	1.7
	9.3	18.4	9.0
Kingfisher, Redditch	0.6	0.9	0.3
Central	0.1	0.3	0.1
Net Group interest	10.0	19.6	9.4

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

The increase in interest reflects timing of the Ilford acquisition, completed on 8 March 2017, and refinancing of Kingfisher Redditch that completed in August 2017.

Financial review

Group debt

	Debt ¹	Cash ²	Net debt	Loan to value ³	Net debt to value ³	Average interest rate	Fixed	Duration to loan expiry	Duration with extensions
30 June 2018	£m	£m	£m	%	%	%	%	Years	Years
Four Mall assets	255.0	(9.2)	245.8	47	45	3.33	100	7.1	8.1
Luton	107.5	(4.7)	102.8	51	49	3.14	100	5.5	5.5
Hemel Hempstead	26.9	(2.3)	24.6	57	53	3.32	100	3.6	4.6
Ilford	39.0	(1.2)	37.8	46	45	2.76	100	5.7	5.7
Group RCF	-	(4.6)	(4.6)			3.80	-	3.6	3.6
On balance sheet debt	428.4	(22.0)	406.4	48	46	3.27	94	6.2	6.8

¹ Excluding unamortised issue costs.

² Excluding cash beneficially owned by tenants.

³ Debt and net debt divided by investment property at valuation.

The refinancing activity completed in the early part of 2017 has delivered an attractive funding cost of 3.27% that is substantially fixed and secured over the medium term with a weighted average 6.2 year maturity at 30 June 2018, extending to 6.8 years if all extensions are exercised. Net debt to value remained flat from 30 December 2017 at 46%. Our target range for net debt to property value remains 40%-50% with an intention to reduce it to the lower end of that range in the medium-term.

In light of the planned leisure development on the Marlowes, Hemel Hempstead an amendment to the existing loan agreement on the property was signed in August 2018 providing flexibility within the facility and a temporary relaxation of certain covenants while the preparatory and development work is undertaken.

Covenants

The Group was compliant with its banking and debt covenants at 30 June 2018 and throughout the period. Further details are disclosed in the 'covenant information' section at the end of this report.

Going concern

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

South African secondary listing

The Company maintains a primary listing on the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 June 2018, 64,115,560 of the Company's shares were held on the South African register representing 8.9% of the total shares in issue.

Financial review

Dividend

The Board is proposing an interim dividend of 1.82 pence per share, all of which will be paid as a Property Income Distribution (PID). This represents an increase of 5.2% from the 2017 Interim dividend.

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

- Confirmation of ZAR equivalent dividend and PID percentage Tuesday, 25 September 2018
- Last day to trade on JSE Tuesday, 2 October 2018
- Shares trade ex-dividend on the JSE Wednesday, 3 October 2018
- Shares trade ex-dividend on the LSE Thursday, 4 October 2018
- Record date for LSE and JSE Friday, 5 October 2018
- Dividend payment date Thursday, 25 October 2018

The amount to be paid as a PID will be confirmed in the announcement to be published on 25 September 2018. If a Scrip dividend alternative is offered, subject to the requisite regulatory approvals, the deadline for submission of valid election forms will be 5 October 2018. South African shareholders are advised that the dividend will be regarded as a foreign dividend. Further details relating to Withholding Tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on 25 September 2018. Share certificates on the South African register may not be dematerialised or rematerialised between 3 October 2018 and 5 October 2018, both dates inclusive. Transfers between the UK and South African registers may not take place between 25 September 2018 and 5 October 2018, both dates inclusive.

Outlook

Whilst only a reasonably small proportion of the occupier restructurings or failures announced in the year to date directly impact our portfolio they do present a challenge to short term results with a greater impact in the second half of the year. However, we remain confident that the combination of our in-house expertise and the strength and affordability of our underlying assets will enable us to successfully remerchandise and evolve our centres to maintain positive momentum.

The Board has announced a 5.2% increase in the interim dividend compared to 2017. The Board continues to maintain its medium term objective of dividend growth in a range of 5% and 8% per annum. Given the short term impact of CVAs or administrations the Board expects full year dividend growth in 2018 to be at the low end of this range.

Principal risks and uncertainties

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

A detailed explanation of the principal risks and uncertainties was included on pages 26 to 30 of the Group's 2017 Annual Report. A further review was carried out for the 30 June 2018 half year. Amongst other factors considered were the continuing uncertainty in the UK concerning the planned exit from the European Union in 2019 and the challenging retail backdrop. The review concluded that while the profile of certain risks had changed the ultimate nature of the Group's risks had not and therefore the principal risks to the Group remain those disclosed in the 2017 Annual Report with the exception that the risk of threat from the internet has been broadened to incorporate wider structural changes to the UK retail market the impact of which have been seen in the number of Company Voluntary Arrangements (CVA's) and other retailer restructurings in the period. This change and the other risks as disclosed in the 2017 Annual Report have been summarised below.

Property risks:

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

Funding and treasury risks:

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

Other risks:

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

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

Responsibility statement

The directors confirm that to the best of their knowledge:

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

By order of the Board

Lawrence Hutchings

Chief Executive

13 August 2018

Charles Staveley

Group Finance Director

13 August 2018

INDEPENDENT REVIEW REPORT TO CAPITAL & REGIONAL PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
13 August 2018

Condensed consolidated income statement

For the six months to 30 June 2018

	Note	Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Continuing operations				
Revenue	3b, 4	45.5	43.9	89.2
Cost of sales		(17.2)	(16.6)	(33.5)
Gross profit		28.3	27.3	55.7
Administrative costs		(4.4)	(4.8)	(10.2)
Share of (loss)/profit in associates and joint ventures	8a	(2.0)	(1.1)	(2.0)
Loss on revaluation of investment properties	3a, 7a	(10.3)	(1.3)	(3.8)
Other gains and losses		1.3	0.3	0.3
Profit on ordinary activities before financing		12.9	20.4	40.0
Finance income		3.2	0.8	1.2
Finance costs		(9.4)	(9.1)	(18.8)
Profit before tax		6.7	12.1	22.4
Tax	5	-	-	-
Profit for the period		6.7	12.1	22.4
Basic earnings per share	6	0.93p	1.72p	3.16p
Diluted earnings per share	6	0.93p	1.70p	3.13p
EPRA basic earnings per share	6	2.03p	1.99p	3.92p
EPRA diluted earnings per share	6	2.02p	1.96p	3.88p

Condensed consolidated statement of comprehensive income

For the six months to 30 June 2018

	Unaudited six months to 30 June 2018 £m	Unaudited six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Profit for the period	6.7	12.1	22.4
Other comprehensive income	-	-	-
Total comprehensive income for the period	6.7	12.1	22.4

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

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

Condensed consolidated balance sheet

At 30 June 2018

	Note	Unaudited 30 June 2018 £m	Audited 30 December 2017 £m
Non-current assets			
Investment properties	7	926.6	930.6
Plant and equipment		2.1	1.8
Fixed asset investments		2.0	2.1
Receivables		17.2	14.2
Investment in associates	8b	5.4	7.4
Total non-current assets		953.3	956.1
Current assets			
Receivables		17.3	21.6
Cash and cash equivalents	9	25.7	30.2
Total current assets		43.0	51.8
Total assets		996.3	1,007.9
Current liabilities			
Trade and other payables		(32.9)	(39.0)
Total current liabilities		(32.9)	(39.0)
Net current assets		10.1	12.8
Non-current liabilities			
Bank loans	10	(422.6)	(422.2)
Other payables		(2.6)	(4.0)
Obligations under finance leases		(61.3)	(61.3)
Total non-current liabilities		(486.5)	(487.5)
Total liabilities		(519.4)	(526.5)
Net assets		476.9	481.4
Equity			
Share capital		7.2	7.2
Share premium		165.3	163.3
Other reserves		60.3	60.3
Capital redemption reserve		4.4	4.4
Own shares held		(0.1)	(0.1)
Retained earnings		239.8	246.3
Equity shareholders' funds		476.9	481.4
Basic net assets per share	12	£0.66	£0.67
EPRA triple net assets per share	12	£0.66	£0.66
EPRA net assets per share	12	£0.65	£0.67

Condensed consolidated statement of changes in equity

For the six months to 30 June 2018

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Own shares held	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 30 December 2016	7.0	158.2	60.3	4.4	(0.4)	248.1	477.6
Profit for the period	-	-	-	-	-	12.1	12.1
Other comprehensive result for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	12.1	12.1
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.4	0.4
Dividends paid (note 15), net of Scrip	-	-	-	-	-	(9.0)	(9.0)
Shares issued, net of costs	0.1	3.3	-	-	-	(3.4)	-
Balance at 30 June 2017 (unaudited)	7.1	161.5	60.3	4.4	(0.4)	248.2	481.1
Profit for the period	-	-	-	-	-	10.3	10.3
Other comprehensive result for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	10.3	10.3
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Dividends paid (note 15), net of Scrip	-	-	-	-	-	(10.5)	(10.5)
Shares issued, net of costs	0.1	1.8	-	-	-	(1.9)	-
Other movements	-	-	-	-	0.3	(0.3)	-
Balance at 30 December 2017	7.2	163.3	60.3	4.4	(0.1)	246.3	481.4
Profit for the period	-	-	-	-	-	6.7	6.7
Other comprehensive result for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	6.7	6.7
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Dividends paid (note 15), net of Scrip	-	-	-	-	-	(11.7)	(11.7)
Shares issued, net of costs (note 15)	-	2.0	-	-	-	(2.0)	-
Balance at 30 June 2018 (unaudited)	7.2	165.3	60.3	4.4	(0.1)	239.8	476.9

Condensed consolidated cash flow statement

For the six months to 30 June 2018

	Note	Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Operating activities				
Net cash from operations	11	19.2	19.8	43.0
Distributions received from associates/investments		0.5	0.7	5.2
Interest paid		(5.1)	(6.7)	(14.6)
Interest received		-	0.1	0.1
Cash flows from operating activities		14.6	13.9	33.7
Investing activities				
Acquisition of The Exchange, Ilford		-	(79.0)	(79.0)
Disposal of Buttermarket, Ipswich		-	9.7	9.8
Purchase of plant and equipment		(0.5)	(0.3)	(0.6)
Capital expenditure on investment properties		(6.9)	(6.8)	(16.9)
Cash flows from investing activities		(7.4)	(76.4)	(86.7)
Financing activities				
Dividends paid (net of Scrip) including withholding tax		(11.7)	(8.9)	(19.1)
Bank loans drawn down		-	401.5	401.5
Bank loans repaid		-	(334.6)	(334.6)
Loan arrangement costs		-	(13.5)	(13.7)
Cash flows from financing activities		(11.7)	44.5	34.1
Net decrease in cash and cash equivalents		(4.5)	(18.0)	(18.9)
Cash and cash equivalents at the beginning of the period		30.2	49.1	49.1
Cash and cash equivalents at the end of the period	9	25.7	31.1	30.2

Notes to the condensed financial statements

For the six months to 30 June 2018

1 General information

The comparative information included for the year ended 30 December 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

2 Accounting policies

Basis of preparation

The annual financial statements of Capital & Regional plc are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The financial statements are prepared in GBP being the functional currency of the Group. The principal exchange rates used to translate foreign currency denominated amounts are:

Balance sheet: £1 = €1.129 (30 June 2017: £1 = €1.137; 31 December 2017: £1 = €1.127)

Income statement: £1 = €1.137 (30 June 2017: £1 = €1.162; 31 December 2017: £1 = €1.141).

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

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

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

The Half-Year Report was approved by the Board on 13 August 2018.

Going concern

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

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

Change in accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in the notes to the Group's annual financial statements for the year ended 30 December 2017. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

A number of new standards and amendments to standards have been issued but are not yet effective for the Group. The most significant of these, and their potential impact on the Group's accounting, are set out below:

- IFRS 15 Revenue from Contracts with Customers (effective for year ending 30 December 2019) - does not apply to gross rental income, but does apply to service charge income, other fees and trading property disposals. The Group has not yet completed its evaluation of the effect of the adoption of IFRS 15 but does not expect it to have a material impact on the measurement of revenue recognition although additional disclosures will be required.
- IFRS 9 Financial Instruments (effective for year ending 30 December 2019) - will impact both the measurement and disclosures of financial instruments. The Group has not yet completed its evaluation of the effect of the adoption but it may impact the measurement and presentation of the Group's financial liabilities although it is not expected that the impact will be material.
- IFRS 16 Leases (effective for year ending 30 December 2020) - will result in the Group recognising on balance sheet assets it leases along with a corresponding liability. The primary lease contracts that this will impact are the lease on the Group's support office and the leases of the Snozone business for its Castleford and Milton Keynes operations. In addition, IFRS 16 could have an indirect impact on the Group's business if it leads to a change in occupier behaviour. Examples of this would be if its adoption results in tenants or potential tenants typically seeking shorter lease terms and/or more prevalent use of turnover-related, as opposed to fixed rents.

3 Operating segments

3a Operating segment performance

The Group's reportable segments under IFRS 8 are Wholly-owned assets, Other UK Shopping Centres, Snozone and Group/Central. Wholly-owned assets consists of the shopping centres at Blackburn, Hemel Hempstead, Ilford (from acquisition on 8 March 2017), Luton, Maidstone, Walthamstow and Wood Green. Other UK Shopping Centres consists of the Group's interest in Kingfisher Limited Partnership (Redditch). Group/Central includes management fee income, Group overheads incurred by Capital & Regional Property Management, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

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

	Note	UK Shopping Centres				Total
		Wholly-owned assets	Other UK Shopping Centres (Kingfisher Redditch)	Snozone	Group/Central	
Six months to 30 June 2018		£m	£m	£m	£m	£m
Rental income from external sources	3b	32.2	1.0	-	-	33.2
Property and void costs		(6.2)	(0.3)	-	-	(6.5)
Net rental income		26.0	0.7	-	-	26.7
Net interest expense		(9.3)	(0.6)	-	(0.1)	(10.0)
Snozone income/Management fees ¹	3b	-	-	5.5	1.1	6.6
Snozone/Management expenses		-	-	(4.4)	(3.0)	(7.4)
Investment income		-	-	-	0.1	0.1
Depreciation		-	-	(0.1)	(0.1)	(0.2)
Variable overhead (excluding non-cash items)		-	-	-	(0.3)	(0.3)
Tax charge		-	-	-	-	-
Adjusted Profit		16.7	0.1	1.0	(2.3)	15.5
Revaluation of properties		(10.3)	(2.1)	-	-	(12.4)
Loss on disposal		(0.1)	-	-	(1.0)	(1.1)
Income from Euro B-Note ²		-	-	-	0.4	0.4
Gain on financial instruments		3.1	-	-	-	3.1
Share-based payments		-	-	-	(0.5)	(0.5)
Other items		2.1	-	-	(0.4)	1.7
Profit/(loss)		11.5	(2.0)	1.0	(3.8)	6.7
Total assets	3b	977.4	28.8	4.0	9.5	1,019.7
Total liabilities	3b	(512.4)	(23.4)	(1.8)	(5.2)	(542.8)
Net assets		465.0	5.4	2.2	4.3	476.9

¹ Asset management fees of £1.8 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.

² £0.4 million of monies were received in the period through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies were distributed following the sale of properties by the liquidator of the underlying German entities.

3 Operating segments (continued)

3a Operating segment performance

	Note	UK Shopping Centres			Group/ Central	Total
		Wholly- owned assets	Other UK Shopping Centres (Kingfisher Redditch)	Snozone		
Six months to 30 June 2017		£m	£m	£m	£m	£m
Rental income from external sources	3b	30.9	1.1	-	-	32.0
Property and void costs		(5.9)	(0.4)	-	-	(6.3)
Net rental income		25.0	0.7	-	-	25.7
Net interest expense		(9.0)	(0.3)	-	(0.1)	(9.4)
Snozone income/Management fees ¹	3b	-	-	5.5	1.1	6.6
Management expenses		-	-	(4.4)	(3.4)	(7.8)
Investment income		-	-	-	0.2	0.2
Depreciation		-	-	(0.1)	-	(0.1)
Variable overhead (excluding non-cash items)		-	-	-	(0.6)	(0.6)
Tax charge		-	(0.1)	-	-	(0.1)
Adjusted Profit		16.0	0.3	1.0	(2.8)	14.5
Revaluation of properties		(1.3)	(1.5)	-	-	(2.8)
Income from Euro B-Note ²		-	-	-	0.3	0.3
(Loss)/gain on financial instruments		0.5	0.1	-	-	0.6
Share-based payments (non-cash)		-	-	-	(0.4)	(0.4)
Other items		-	-	-	(0.1)	(0.1)
Profit/(loss)		15.2	(1.1)	1.0	(3.0)	12.1
Total assets	3b	979.2	30.8	3.4	8.7	1,022.1
Total liabilities	3b	(516.8)	(18.2)	(1.7)	(4.3)	(541.0)
Net assets		462.4	12.6	1.7	4.4	481.1

¹ Asset management fees of £2.0 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.

² £0.3 million of monies were received in the year through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies were distributed following the sale of properties by the liquidator of the underlying German entities.

3 Operating segments (continued)

3a Operating segment performance

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

¹ Asset management fees of £3.6 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.

² £0.3 million of monies were received in the year through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies were distributed following the sale of properties by the liquidator of the underlying German entities.

3b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	Unaudited Six months to 30 June 2018	Unaudited Six months 30 June 2017	Audited Year to 30 December 2017
		£m	£m	£m
Rental income from external sources including associates	3a	33.2	32.0	66.2
Service charge income		7.4	7.1	14.1
Management fees	3a	1.1	1.1	2.2
Snozone income	3a	5.5	5.5	10.4
Revenue for reportable segments		47.2	45.7	92.9
Elimination of inter-segment revenue		(0.7)	(0.7)	(1.4)
Rental income earned by associates		(1.0)	(1.1)	(2.3)
Revenue per consolidated income statement		45.5	43.9	89.2

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

3 Operating segments (continued)

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

		Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Balance sheet	Note			
Total assets of reportable segments	3a	1,019.7	1,022.1	1,031.4
Adjustment for associates and joint ventures		(23.4)	(18.2)	(23.5)
Group assets		996.3	1,003.9	1,007.9
Total liabilities of reportable segments	3a	(542.8)	(541.0)	(550.0)
Adjustment for associates and joint ventures		23.4	18.2	23.5
Group liabilities		(519.4)	(522.8)	(526.5)
Net assets by country				
UK		476.8	480.9	481.3
Germany		0.1	0.2	0.1
Net assets by country		476.9	481.1	481.4

4 Revenue

		Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Statutory	Note			
Gross rental income		25.8	25.1	51.2
Car park and other ancillary income		6.4	5.8	12.7
Rental income from external sources		32.2	30.9	63.9
Service charge income		7.4	7.1	14.1
External management fees		0.4	0.4	0.8
Snozone income	3a	5.5	5.5	10.4
Revenue per consolidated income statement – continuing operations	3b	45.5	43.9	89.2

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

5 Tax

	Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Tax charge			
UK corporation tax	-	-	-
Adjustments in respect of prior years	-	-	-
Total current tax charge	-	-	-
Deferred tax	-	-	-
Total tax charge	-	-	-

5 Tax (continued)

	Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Tax charge reconciliation			
Profit before tax on continuing operations	6.7	12.1	22.4
Profit multiplied by the UK corporation tax rate of 19% (30 June 2017 and 30 December 2016: 19.25%)	1.3	2.3	4.3
REIT exempt income and gains	(1.7)	(2.5)	(4.0)
Non-allowable expenses and non-taxable items	0.5	0.2	(0.4)
(Utilisation of tax losses)/Excess tax losses	(0.1)	0.1	0.1
Adjustments in respect of prior years	-	(0.1)	-
Total tax charge – continuing operations	-	-	-

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

The Group has recognised a deferred tax asset of £0.1 million (30 December 2017: £0.1 million). No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates or in joint ventures in the current or prior years as it is not certain that a deduction will be available when the asset crystallises.

The Group has £16.6 million (30 December 2017: £12.3 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses (30 December 2017: £nil). The Group has unused capital losses of £25.1 million (30 December 2017: £25.1 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.

6 Earnings per share

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

	Note	Six months to 30 June 2018 (unaudited)			Six months to 30 June 2017 (unaudited)			Year to 30 December 2017(audited)		
		Profit	EPRA	Adjusted Profit	Profit	EPRA	Adjusted Profit	Profit	EPRA	Adjusted Profit
Profit (£m)										
Profit/(loss) for the year		6.7	6.7	6.7	12.1	12.1	12.1	22.4	22.4	22.4
Revaluation loss/(gain) on investment properties (net of tax)	3a	-	12.4	12.4	-	2.8	2.8	-	6.3	6.3
(Profit)/loss on disposal of properties (net of tax)	3a	-	1.1	1.1	-	-	-	-	-	-
Income from German B Note		-	(0.4)	(0.4)	-	(0.3)	(0.3)	-	(0.3)	(0.3)
Changes in fair value of financial instruments	3a	-	(3.1)	(3.1)	-	(0.6)	(0.6)	-	(1.1)	(1.1)
Refinancing costs		-	-	-	-	-	-	-	0.5	0.5
Share-based payments	3a	-	-	0.5	-	-	0.4	-	-	0.9
Other items		-	(2.1)	(1.7)	-	-	0.1	-	-	0.4
Profit		6.7	14.6	15.5	12.1	14.0	14.5	22.4	27.8	29.1
Earnings per share (pence)		0.93p	2.03p	2.15p	1.72p	1.99p	2.06p	3.16p	3.92p	4.10p
Diluted earnings per share (pence)		0.93p	2.02p	2.14p	1.70p	1.96p	2.03p	3.13p	3.88p	4.07p

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

6 Earnings per share (continued)

Weighted average number of shares (m)	Six months to 30 June 2018	Six months to 30 June 2017	Year to 30 December 2017
	Ordinary shares in issue	719.3	703.9
Own shares held	(0.2)	(0.6)	(0.2)
Basic	719.1	703.3	709.0
Dilutive contingently issuable shares and share options	4.3	10.5	6.8
Diluted	723.4	713.8	715.8

At the end of the period, the Group had 10.6 million (30 December 2017: 12.1 million) additional share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute basic earnings per share in the future but which have not been included in the calculation because they are not dilutive or the performance conditions for vesting were not met based on the position at 30 June 2018.

Headline earnings per share

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

	Six months to 30 June 2018		Six months to 30 June 2017		Year to 30 December 2017	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Profit (£m)						
Profit for the period	6.7	6.7	12.1	12.1	22.4	22.4
Revaluation of investment properties (net of tax)	12.4	12.4	2.8	2.8	6.3	6.3
Loss on disposal of investment properties (net of tax)	1.1	1.1	-	-	-	-
Profit on German B Note	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Other items	(2.1)	(2.1)	-	-	-	-
Headline earnings	17.7	17.7	14.6	14.6	28.4	28.4
Weighted average number of shares (m)						
Ordinary shares in issue	719.3	719.3	703.9	703.9	709.2	709.2
Own shares held	(0.2)	(0.2)	(0.6)	(0.6)	(0.2)	(0.2)
Dilutive contingently issuable shares and share options	-	4.3	-	10.5	-	6.8
	719.1	723.4	703.3	713.8	709.0	715.8
Headline Earnings per share (pence)	2.46p	2.45p	2.08p	2.05p	4.01p	3.97p

7 Investment properties

7a Wholly-owned properties

	Freehold investment properties	Leasehold investment properties	Total property assets
	£m	£m	£m
Cost or valuation			
At 30 December 2017	437.4	493.2	930.6
Capital expenditure	2.0	4.0	6.0
Valuation deficit ¹	0.6	(10.6)	(10.0)
At 30 June 2018	440.0	486.6	926.6

¹ £10.3 million per Note 3a includes letting fee amortisation adjustment of £0.3 million.

7 Investment properties (continued)

7b Property assets summary

	30 June 2018		30 December 2017	
	100% £m	Group share £m	100% £m	Group share £m
Wholly-owned				
Investment properties at fair value	883.4	883.4	886.6	886.6
Head leases treated as finance leases on investment properties	61.3	61.3	61.3	61.3
Unamortised tenant incentives on investment properties	(18.1)	(18.1)	(17.3)	(17.3)
IFRS Property Value	926.6	926.6	930.6	930.6
Associates				
Investment properties at fair value	132.5	26.5	142.9	28.6
Unamortised tenant incentives on investment properties	(4.5)	(0.9)	(4.5)	(0.9)
IFRS Property Value	128.0	25.6	138.4	27.7
Total at property valuation	1,015.9	909.9	1,029.5	915.2
Total IFRS Property Value	1,054.6	952.2	1,069.0	958.3

7c Valuations

External valuations were carried out on all of the property assets detailed in the table above. The valuations at 30 June 2018 were carried out by independent qualified professional valuers from CBRE Limited and Knight Frank LLP in accordance with RICS standards. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations.

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

8 Investment in associates

8a Share of results	Note	Unaudited	Unaudited	Audited
		Six months to 30 June 2018 £m	Six months to 30 June 2017 £m	Year to 30 December 2017 £m
Share of results of associates	8b	(2.0)	(1.1)	(2.0)
		(2.0)	(1.1)	(2.0)

8b Investment in associates	Note	Unaudited	Audited
		Six months to 30 June 2018 £m	Year to 30 December 2017 £m
At the start of the period		7.4	13.9
Share of results of associates	8c	(2.0)	(2.0)
Dividends and capital distributions received		-	(4.5)
At the end of the period	8c	5.4	7.4

The Group's only significant associate at 30 June 2018 and 30 December 2017 was its 20% interest in the Kingfisher Limited Partnership which owns the Kingfisher Shopping Centre in Redditch. The Group exercises significant influence through its representation on the General Partner board and through acting as the property and asset manager.

8 Investment in associates (continued)

8c Analysis of investment in associates

	Unaudited Six months to 30 June 2018 Total £m	Unaudited Six months to 30 June 2017 Total £m	Audited Year to 30 December 2017 Total £m
Income statement (100%)			
Revenue – gross rent	5.3	5.6	11.3
Property and management expenses	(1.2)	(1.2)	(2.7)
Void costs	(0.5)	(0.5)	(1.1)
Net rent	3.6	3.9	7.5
Net interest payable	(2.8)	(1.7)	(6.6)
Contribution	0.8	2.2	0.9
Revaluation of investment properties	(10.5)	(7.4)	(12.4)
Fair value of interest rate swaps	-	0.4	1.9
Loss before tax	(9.7)	(4.8)	(9.6)
Tax	-	(0.4)	(0.2)
Loss after tax (100%)	(9.7)	(5.2)	(9.8)
Balance sheet (100%)			
Investment properties	128.1	142.7	138.4
Other assets	16.1	11.1	16.1
Current liabilities	(5.3)	(83.9)	(6.3)
Non-current liabilities	(111.6)	(6.1)	(111.3)
Net assets (100%)	27.3	63.8	36.9
Income statement (Group share)			
Revenue – gross rent	1.0	1.1	2.3
Property and management expenses	(0.2)	(0.3)	(0.5)
Void costs	(0.1)	(0.1)	(0.2)
Net rent	0.7	0.7	1.6
Net interest payable	(0.6)	(0.3)	(1.4)
Contribution	0.1	0.4	0.2
Revaluation of investment properties	(2.1)	(1.5)	(2.5)
Fair value of interest rate swaps	-	0.1	0.4
Loss before tax	(2.0)	(1.0)	(1.9)
Tax	-	(0.1)	(0.1)
Loss after tax (Group share)	(2.0)	(1.1)	(2.0)
Balance sheet (Group share)			
Investment properties	25.6	28.5	27.7
Other assets	3.2	2.2	3.3
Current liabilities	(1.1)	(16.8)	(1.3)
Non-current liabilities	(22.3)	(1.3)	(22.3)
Net assets (Group share)	5.4	12.6	7.4

9 Cash and cash equivalents

	Unaudited 30 June 2018 £m	Audited 30 December 2017 £m
Cash at bank	20.6	24.4
Security disposals held in rent accounts	0.7	0.8
Other restricted balances	4.4	5.0
Total cash and cash equivalents	25.7	30.2

10 Borrowings

Summary of borrowings

The Group's borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. There were no defaults or other breaches of financial covenants under any of the Group borrowings during the current period or the preceding year.

	30 June 2018 £m	30 December 2017 £m
Borrowings at amortised cost		
Secured		
Fixed and swapped bank loans	428.4	428.4
Total secured borrowings before costs	428.4	428.4
Unamortised issue costs	(5.8)	(6.2)
Total borrowings after costs	422.6	422.2
Analysis of total borrowings after costs		
Current	-	-
Non-current	422.6	422.2
Total borrowings after costs	422.6	422.2

The fair value of total borrowings before costs as at 30 June 2018 was £426.8 million (30 December 2017: 430.0 million).

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

	30 June 2018 £m	30 December 2017 £m
Interest rate swaps	1.7	(1.4)
	1.7	(1.4)

11 Notes to the cash flow statement

	Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Profit/(loss) for the period	6.7	12.1	22.4
Adjusted for:			
Finance income	(3.2)	(0.8)	(1.2)
Finance expense	9.4	9.1	18.8
Loss on revaluation of wholly-owned properties	10.3	1.3	3.8
Share of loss in associates and joint ventures	2.0	1.1	2.0
Other gains and losses	(1.3)	(0.3)	(0.3)
Depreciation of other fixed assets	0.2	0.1	0.2
Decrease/(Increase) in receivables	0.2	(5.2)	(7.3)
(Decrease)/Increase in payables	(5.6)	2.0	3.7
Non-cash movement relating to share-based payments	0.5	0.4	0.9
Net cash from operations	19.2	19.8	43.0

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:

	Unaudited 30 June 2018			Unaudited 30 June 2017	Audited 30 December 2017
	Net assets £m	Number of shares million	Net assets per share £	Net assets per share £	Net assets per share £
Basic net assets	476.9	723.2	0.66	0.68	0.67
Own shares held		(1.2)			
Dilutive contingently issuable shares and share options		4.3			
Fair value of fixed rate loans (net of tax)	1.6				
EPRA triple net assets	478.5	726.3	0.66	0.67	0.66
Exclude fair value of fixed rate loans (net of tax)	(1.6)				
Exclude fair value of see-through interest rate derivatives	(1.8)				
Exclude deferred tax on unrealised gains/capital allowances	(0.1)				
EPRA net assets	475.0	726.3	0.65	0.67	0.67

The number of ordinary shares issued and fully paid at 30 June 2018 was 723,240,102 (30 December 2017: 718,275,760, 30 June 2017: 708,477,735). There have been no changes to the number of shares from 30 June 2018 to the date of this announcement.

13 Return on equity

	Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Total comprehensive income attributable to equity shareholders	6.7	12.1	22.4
Opening equity shareholders' funds plus time weighted additions	481.9	477.6	480.1
Return on equity	1.4%	2.5%	4.7%

14 Related party transactions

There have been no material changes to, or material transactions with, related parties as described in note 31 of the annual audited financial statements for the year ended 30 December 2017, except for:

Distributions received from related parties

During the period, the Group received no cash distributions from related parties as disclosed in notes 8b.

Management fee income from related parties

During the period, the Group received management fee income in the normal course of business of £0.1 million from related parties.

15 Dividends

	Unaudited Six months to 30 June 2018 £m	Unaudited Six months to 30 June 2017 £m	Audited Year to 30 December 2017 £m
Final dividend per share for year ended 30 December 2016 of 1.77p	-	12.4	12.4
Interim dividend per share for year ended 30 December 2017 of 1.73p	-	-	12.4
Final dividend per share for year ended 30 December 2017 of 1.91p	13.7	-	-
Amounts recognised as distributions to equity holders in the period	13.7	12.4	24.8
Interim dividend per share for year ended 30 December 2018 of 1.82p ¹	13.1	-	-

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

The Company issued 3,964,342 new ordinary shares on 16 May 2018 to shareholders who elected to receive their 2017 final dividend in shares under the Company's Scrip dividend scheme. The value of the Scrip shares was calculated in accordance with the scheme rules at 51.77 pence. As a result the Company's share capital increased by £39,643 and share premium by £2,012,696.

Glossary of terms

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

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

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

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

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

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

Contribution is net rent less net interest.

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

Debt is borrowings, excluding unamortised issue costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REIT – Real Estate Investment Trust.

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

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

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

Temporary lettings are those lettings for one year or less.

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

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

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

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

EPRA performance measures

	30 June 2018	30 June 2017	30 December 2017
EPRA earnings (£m)	14.6	14.0	27.8
EPRA earnings per share (diluted)	2.02p	1.96p	3.88p
EPRA net assets (£m)	475.0	482.9	482.6
EPRA net assets per share	65p	67p	67p
EPRA triple net assets (£m)	478.5	480.5	479.8
EPRA triple net assets per share	66p	67p	66p

EPRA Cost ratios

	30 June 2018	30 June 2017	30 December 2017
	£m	£m	£m
Cost of sales (adjusted for IFRS head lease differential)	17.4	16.8	33.9
Administrative costs	4.4	4.8	10.2
Service charge income	(7.4)	(7.1)	(14.1)
Management fees	(0.4)	(0.4)	(0.8)
Snozone (indoor ski operation) costs	(4.5)	(4.5)	(8.9)
Share of joint venture & associate expenses	0.3	0.4	0.7
Less inclusive lease costs recovered through rent	(1.1)	(0.9)	(2.1)
EPRA costs (including direct vacancy costs)	8.7	9.1	18.9
Direct vacancy costs	(1.5)	(1.6)	(3.1)
EPRA costs (excluding direct vacancy costs)	7.2	7.5	15.8
Gross rental income	32.2	30.9	63.9
Less ground rent costs	(1.5)	(1.5)	(3.0)
Share of joint venture & associate gross rental income less ground rent costs	1.0	1.1	2.3
Less inclusive lease costs recovered through rent	(1.1)	(0.9)	(2.1)
Gross rental income	30.6	29.6	61.1
EPRA cost ratio (including direct vacancy costs)	28.4%	30.7%	30.9%
EPRA cost ratio (excluding vacancy costs)	23.5%	25.3%	25.9%

Wholly-owned assets portfolio information

At 30 June 2018

Physical data

Number of properties	7
Number of lettable units	769
Lettable space (sq feet – million)	3.5

Valuation data

Properties at independent valuation (£m)	883.4
Adjustments for head leases and tenant incentives (£m)	43.2
Properties as shown in the financial statements (£m)	926.6

Initial yield (%)	6.0%
Equivalent yield (%)	6.4%
Reversion (%)	15.3%
Loan to value ratio (%)	48%
Net debt to value ratio (%)	46%

Lease length (years)

Weighted average lease length to break (years)	6.6
Weighted average lease length to expiry (years)	8.0

Passing rent (£m) of leases expiring in:

Six months to 30 December 2018	5.4
Year to 30 December 2019	2.9
Three years to 30 December 2022	17.5

ERV (£m) of leases expiring in:

Six months to 30 December 2018	7.3
Year to 30 December 2019	4.3
Three years to 30 December 2022	18.5

Passing rent (£m) subject to review in:

Six months to 30 December 2018	2.9
Year to 30 December 2019	3.4
Three years to 30 December 2022	10.6

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

Six months to 30 December 2018	2.9
Year to 30 December 2019	3.3
Three years to 30 December 2022	12.7

Rental Data

Contracted rent at period end (£m)	62.3
Passing rent at period end (£m)	59.2
ERV at period end (£m per annum)	68.3
Occupancy rate (%)	96.9%

Covenant information (Unaudited)
Wholly-owned assets

	Borrowings £m	Covenant ¹	30 June 2018	Future changes
Core revolving credit facility (100%)				
Net Assets	-	No less than £350m	£476.9m	
Gearing		No greater than 1.5:1	0.85:1	
Historic interest cover		No less than 200%	369%	
4 Mall assets (100%)				
Loan to value ²	255.0	No greater than 70%	47%	
Historic interest cover		No less than 175%	293%	
<i>A projected interest cover test also applies at a covenant level of no less than 150%</i>				
Luton (100%)				
Loan to value ²	107.5	No greater than 70%	51%	Covenant 65% from January 2022
Debt yield		No less than 8%	10.0%	
Historic interest cover		No less than 250%	342%	
<i>A projected interest cover test also applies at a covenant level of no less than 200%</i>				
Hemel Hempstead (100%)				
Loan to value ²	26.9	No greater than 60%	57%	
Debt to net rent		No greater than 10:1	7.9:1	Covenant 9:1 from April 2019
Historic interest cover		No less than 200%	345%	
<i>A projected interest cover test also applies at a covenant level of no less than 200%</i>				
Ilford (100%)				
Loan to value ²	39.0	No greater than 70%	46%	
Historic interest cover		No less than 225%	415%	
<i>A projected interest cover test also applies at a covenant level of no less than 225%</i>				

¹ Covenants quoted are the default covenant levels. The facilities typically also have cash trap mechanisms.

² Calculated using 30 June 2018 valuation. Actual bank covenant based on bank valuation updated annually.