Capital& Regional

9 March 2017

Capital & Regional plc

("Capital & Regional", the "Group" or the "Company")

Full Year Results to 30 December 2016

Capital & Regional plc (LSE: CAL), the UK focused specialist REIT with a portfolio of dominant in-town community shopping centres, today announces its full year results to 30 December 2016.

Asset management strategy driving strong income growth and underpinning dividend

- 6.7% increase in Net Rental Income to £52.6 million (2015: £49.3 million)
- Adjusted Profits[1] up 11.7% to £26.8 million (2015: £24.0 million)
- 8.7% increase in total dividend to 3.39p per share for 2016, ahead of guidance

Successful recycling of capital continuing into 2017

- Acquisition of The Exchange Centre, Ilford completed on 8 March 2017 for £78.0 million, reflecting NIY of 6.70%
- Disposal of Ipswich joint venture in February 2017 delivering IRR of over 40%
- Disposal of The Mall, Camberley for £86.0 million at NIY of 5.9% in November 2016
- Acquisition of The Marlowes, Hemel Hempstead and adjacent properties in February/March 2016 for £53.8 million at NIY of 7.0%

Delivery of asset management initiatives supported by strong occupier demand

- Capex investment of £21.2 million on Wholly-owned assets in 2016 including:
  - £6.2 million at Maidstone - refurbishment and TJ Hughes reconfiguration
  - £4.2 million at Wood Green - new Travelodge and extended Easygym
  - £2.9 million at Blackburn - new Ainsworth Mall entrance and units at Blackburn
- New lettings and renewals at an average 18%[2] premium to previous passing rent and combined 2.1%[2] premium to ERV

Enhanced balance sheet strength and flexibility

- £372.5 million long-term refinancing completed on 4 January 2017 locking in historically low interest rates and providing flexibility for asset recycling
- Weighted average debt maturity, including new Ilford debt, increased from 3.6 to 7.8 years[3,4,6]
- Basic and EPRA NAV per share resilient, at 68p (2015: 72p and 71p respectively), reflecting a 1.6p reduction attributable to implementing the new long term debt package and a further 1.2p from the 1% increase in stamp duty
- Average cost of debt after Mall refinancing and Ilford acquisition reduced to 3.26% from 3.51%[6]

	2016	2015	Change
See-through Net Rental Income	**£52.6m**	£49.3m	+6.7%
Adjusted Profit[1]	**£26.8m**	£24.0m	+11.7%
Adjusted Earnings per share	**3.8p**	3.4p	+11.7%
IFRS (Loss)/Profit for the period	**£(4.4)m**	£100.0m	
Total dividend per share	**3.39p**	3.12p	+8.7%
Net Asset Value (NAV) per share	**68p**	72p	-4p
EPRA NAV per share	**68p**	71p	-3p
Proforma group net debt[3]	**£328.6m**	£338.1m	-£9.5m
Proforma see-through net debt to property value[3,5]	**42%**	41%	+1 p.p.
See-through net debt to property value at date of results[3,4,5]	**46%**	45%[6]	+1 p.p.

[1] Adjusted Profit is as defined in the Glossary and Note 1 to the Financial Statements. It incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. We previously used 'Operating Profit' but have amended the term to clarify that it is an adjusted measure. The only change to the definition is to incorporate tax charges or credits relating to operating activities. A reconciliation to the statutory result is provided in the Financial Review. EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the Financial Statements.

[2] Wholly-owned portfolio excluding The Mall, Camberley given its disposal in November 2016.

[3] Reflecting refinancing of Mall assets completed on 4 January 2017, debt maturity is assuming exercise of extension options.

[4] Further adjusted for the Ipswich disposal completed on 17 February 2017 and Ilford acquisition completed on 8 March 2017.

[5] See-through net debt divided by property valuation.

[6] 2015 reflects the Hemel Hempstead acquisitions completed in February/March 2016.

Commenting on the results, John Clare, Chairman said:

"I am pleased to report that Adjusted Profit has grown by 11.7% to £26.8 million. This represents another strong performance in a year where the focus has shifted decisively towards boosting income from delivery of the asset management and development initiatives across the portfolio.

"The results have supported an increase in the dividend for the year of 8.7%, ahead of previous guidance. Reflecting our confidence in the growth prospects of the business, underpinned by our ongoing Capex investment, the Board is reaffirming its commitment to a target of annual dividend growth in the range of 5-8% in the medium-term."

Hugh Scott-Barrett, CEO added:

"Whilst the business environment may be challenging, the prospects for Capital & Regional are exciting. Our assets have proven to be very resilient and Capex investment over the last two years has provided a strong platform for future income growth. This, supported by the high demand we continue to see from occupiers for the attractive and affordable space in our vibrant centres, provides us with confidence in our ability to maintain and grow the dividend.

"We expect to benefit from the average 13.5% reduction in rateable values when they are applied next month and our portfolio of asset management initiatives continues to grow with leisure reconfigurations providing an opportunity to reposition both the Hemel Hempstead and Ilford schemes. In addition we are looking for planning consent for the extension and residential development to be granted at Walthamstow during the year whilst the development of master plans in Luton and Wood Green are likely to be transformational for both the town centre and our shopping centres which sit at the heart of each community.

"Looking forward, there is no shortage of accretive opportunities both within our existing portfolio and beyond. This underpins our confidence in the growth prospects of the business by enabling us to focus on those initiatives which generate the best returns."

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About Capital & Regional plc

Capital & Regional is a UK focused specialist retail REIT with a strong track record of delivering value enhancing retail and leisure asset management opportunities across a c. £1 billion portfolio of in-town dominant community shopping centres. Capital & Regional is listed on the main market of the London Stock Exchange and has a secondary listing on the Johannesburg Stock Exchange.

Capital & Regional owns seven shopping centres in Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green. It also has a 20% joint venture interest in the Kingfisher Centre in Redditch. Capital & Regional manages these assets, which comprise approximately 820 retail units and attract c. 1.7 million shopping visits each week, through its in-house expert property and asset management platform. For further information see www.capreg.com.

Forward looking statements

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

Chairman's statement

Performance Overview

Capital & Regional's strong performance in 2016, against a background of increased economic uncertainty, has demonstrated the resilience of the business model. This has led to an 8.7% increase in dividend to 3.39p for the full year, delivering an attractive dividend yield to shareholders.

I am pleased to report that Adjusted Profit increased by 11.7% to £26.8 million. This is an excellent result in a year where, building on the solid foundations we have successfully created over the last few years, our focus shifted decisively towards boosting income from delivery of the asset management and development initiatives across the portfolio. The performance is all the more creditable as, during the course of the year, the BHS administration, while providing a medium term opportunity to create value and improve the tenant mix, did inevitably result in a short term loss of income.

NAV per share as at 30 December 2016 was 68p compared to 72p at the beginning of the year. This reflects the impact of one-off costs associated with the successful long-term refinancing of the group's core banking arrangements, the impact of stamp duty increases as well as the modest fall in valuations since the EU referendum in June 2016. Whilst the EU referendum vote did slow investment activity, the core portfolio has proven to be very resilient with valuations adjusted for capex down only 2%, supported by a steady volume of transactional evidence for assets in London and the South East.

IFRS profit for the period fell from £100 million to a loss of £4.4 million. This reflected a non-cash revaluation loss, for the reasons noted above, partially reversing the strong unrealised valuation gain recognised in 2015, together with the £11 million charge in relation to implementing the new long-term debt structure.

Strategy

Capital & Regional creates value for shareholders through a focus on increasing income and capital growth from entrepreneurial asset management initiatives on its portfolio of shopping centres. As we have successfully demonstrated, once assets have been repositioned we seek opportunities to recycle them if we believe capital can be more effectively employed on new investments or other asset management initiatives. Our portfolio offers both resilience and significant opportunities for growth. Our centres combine the scale and dominance of prime shopping centres with the convenience and affordability of town centres. The portfolio is increasingly weighted to London and the South East where the demographics are strong and we see healthy demand from both retailers and leisure operators for affordable space and opportunities for alternative use remain attractive. The uplift in rents that has been achieved from the re-let BHS space in Walthamstow and Blackburn highlights the income potential that can be unlocked from this portfolio, as well as the strong occupier demand for space within it.

Following a very successful investment in Lincoln, which was sold in 2014, the Company has again demonstrated its ability to generate capital gains through the redevelopment and repositioning of assets, with the sale of its Ipswich joint venture which completed in February 2017. The centre was acquired in March 2015 and through significant investment and imaginative asset management repositioned as a vibrant leisure and retail destination, delivering an IRR of over 40% on exit. The progress the Company is making in Hemel Hempstead on plans to transform the town centre provides another opportunity to grow both income and create attractive capital gains as does Ilford, following the acquisition of The Exchange centre in March 2017.

We believe that the key characteristics of the underlying assets within the whole portfolio leave us well positioned to sustainably grow earnings further.

Responsible Business

We have reduced our energy consumption by 5% over the course of this year and our continuous year-on-year improvement has been recognised by the award of Best in Carbon Management at the Carbon Trust Awards, ranking Capital & Regional first amongst 150 companies in the UK. Our expertise not only helps reduce our environmental impact but also enables us to deliver measurable savings to our occupiers through a very competitive service charge.

We have also intensified the training of our operational teams to ensure staff are prepared for any potential threat. Our centre teams have implemented scenario planning and conducted exercises in conjunction with local emergency services.

The award of a 10th consecutive ROSPA Gold award underlines our continued focus on health and occupational safety standards across the shopping centres.

Chairman’s statement

Dividend

For 2016, the Board is proposing a final dividend of 1.77 pence per share taking the full-year dividend to 3.39 pence per share, representing an increase on 2015 of 8.7%. This is ahead of guidance, which targets annual dividend growth in the range of 5-8% in the medium-term. The Board is reaffirming its commitment to this guidance reflecting its confidence in the income growth prospects for the business underpinned by our asset management programme.

People

As in previous years, I would like to thank all who work at Capital & Regional for their hard work during the year. I would, in particular, like to celebrate the efforts of those in the shopping centres who have become Customer Hosts and who have done so much to welcome our visitors and who have selflessly acted to improve the quality of the service we provide to our shoppers. I would also like to congratulate all Snozone staff whose efforts in promoting customer service led to being shortlisted alongside Manchester United and Twickenham Stadium for the School Travel Award.

The Board

I am delighted to welcome Guillaume Poitrinal who joined the Board on 1 November 2016. Guillaume is one of the most well regarded figures in European real estate and brings with him a wealth of highly relevant experience and knowledge of the shopping centre sector which will be of great value to the company.

Mark Bourgeois stepped down from the Board on 1 November 2016 after 18 years at Capital & Regional. On behalf of the Board, I would like to thank Mark for his hard work and significant contribution to the Group’s recent success and we wish him well for the future.

The Board has focused much attention on senior management succession planning during the course of the year, seeking to balance the introduction of new talent with continuity. Both Hugh Scott-Barrett and I have indicated a desire to step down from our current roles in 2017 after, respectively, nine and seven years of service. I am therefore delighted that Lawrence Hutchings, who is a highly experienced and well regarded retail real estate professional, will join in June 2017 as Chief Executive and Hugh Scott-Barrett will take up the role of Non-Executive Chairman, at which point I will retire.

I would like to thank my Board colleagues for all their support and guidance over the last seven years. I am pleased to leave the Company in such a strong position; it has been a privilege to have been Chairman of Capital & Regional during a time of such significant progress.

John Clare CBE
Chairman

Chief Executive's Statement

Income Growth Drives Operational Performance

Net Rental Income (NRI) within the wholly-owned portfolio grew by 6.6%, from £47.3 million to £50.4 million. Stripping out the impact of the Hemel acquisitions, and the disposal of Camberley, underlying growth in wholly-owned NRI was 1.2%. Adjusted for the impact of the BHS administration, NRI grew by approximately 2.4%. This, combined with tight control over administrative expenses, underpins the strong improvement in Adjusted Profit of 11.7%. While this partially reflects the return from the Capex spend to date the full benefit of the investment to date is not likely to be seen until 2017 and 2018.

Leasing activity has been robust during the course of the year. New lettings and lease renewals within the wholly-owned portfolio excluding Camberley aggregated £5.6 million and were agreed at rents 2.1% ahead of ERV. Critically, they were also ahead of previous passing rent by approximately 18%.

The letting of BHS space at Walthamstow highlights the potential for income growth from within the existing portfolio. Lettings to Lidl (18,000 sq ft) and The Gym (15,000 sq ft) will generate a 40% uplift in headline rent on the relevant Walthamstow unit even before the letting of the remaining space, where there is strong demand, is taken into account.

This reinforces our belief that our centres offer attractive and affordable space to retailers and leisure operators alike.

Delivery of Asset Management Initiatives

The Group has spent £21.2 million of capex on wholly-owned assets during the year, including:

- £6.2 million at Maidstone - scheme refurbishment and TJ Hughes reconfiguration
- £4.2 million at Wood Green - new Travelodge and extended Easygym
- £2.9 million at Blackburn - the opening of the new Ainsworth Mall entrance and units

The redevelopment of the Buttermarket Centre, Ipswich, has been completed on time and on budget facilitating the sale post year end. This was a complex construction project involving the creation of an Empire Cinema on the two upper levels surrounded by a suite of nine new restaurants including Coast to Coast, Prezzo, Wagamama and Cosy Club. The joint venture invested capex of £25.1 million to transform the scheme from a substantially empty shopping centre to a thriving leisure-led destination.

Recycling for Growth

The sale of The Mall, Camberley, for £86 million, representing a Net Initial Yield of 5.9%, was completed in November 2016. The transaction crystallised an IRR of 10% based on the acquisition price at the time of Capital & Regional's buy-out of The Mall Fund in 2014. It has also raised funds to invest in more accretive investments both in our existing portfolio and by way of acquisition. The Camberley sale followed the earlier acquisitions of the Marlowes Shopping Centre in Hemel Hempstead and the adjacent Edmonds Parade and Fareham House properties for combined consideration of £53.8 million. The consolidated scheme presents the Group with the opportunity to reposition the Hemel Hempstead town centre.

Similarly, the sale shortly after year-end of our joint venture interest in The Buttermarket Centre, Ipswich at a net equivalent yield of 5.9%, realising an expected £13.5 million to the Group, gave us additional fire power for investment. We quickly put this to use with the acquisition of The Exchange Centre, Ilford, for £78 million, representing a net initial yield of 6.7%, which completed on 8 March 2017. The Exchange Centre, Ilford, dominates retail in the town centre and offers great potential for leisure and residential development given its Crossrail link which is expected to open in 2019. It also further strengthens the London and South East bias of our portfolio.

The Group has a track record of acquiring assets at attractive prices and of recycling capital once innovative and entrepreneurial asset management initiatives have been completed. This is not just about capital discipline but about creating fuel for growth by achieving very attractive returns.

Chief Executive's Statement

Enhanced Balance Sheet Strength and Flexibility

On 4 January 2017 the Group completed the refinancing of its five wholly-owned Mall properties by entering into three new debt facilities totalling £372.5 million with a weighted average maturity of 7.8 years, rising to 8.8 years if the extension options are exercised.

Interest has been fixed enabling us to lock into the historically low interest rates, resulting in an all-in cost on these new facilities of 3.27%. In addition, the refinancing has also enabled the Group to diversify its sources of funding and increase the quantum of capex funding. Critically, the facilities also provide flexibility for asset recycling. We believe that these significant benefits offset the one-off charge of £11.0 million associated with the early redemption of the existing facilities that was recognised in the year.

Outlook

Whilst the business environment may be challenging, the prospects for Capital & Regional are exciting. Our assets have proven to be very resilient and Capex investment over the last two years has provided a strong platform for future income and dividend growth. Our portfolio of asset management initiatives continues to grow with leisure reconfigurations providing an opportunity to reposition both the Hemel and Ilford schemes. We are looking for planning consent for the extension and residential development to be granted at Walthamstow during the year whilst the development of master plans in Luton and Wood Green are likely to be transformational for both the town centre and our shopping centres which sit at the heart of each community.

"Looking forward, there is no shortage of accretive opportunities both within our existing portfolio and beyond. This underpins our confidence in the growth prospects of the business by enabling us to focus on those initiatives which generate the best returns."

Operating Review

The Capital & Regional business model is founded upon the acquisition, ownership and management of dominant community shopping centres which are convenient for shoppers and generate strong footfall with high levels of repeat visits. These are primarily located in strong south east locations and offer retailers and leisure operators high quality space in thriving schemes at affordable levels of occupational cost. Every scheme in the Group's portfolio is subjected to intensive asset management from the Group's specialist in-house asset management team which identifies opportunities to invest capital expenditure in a highly accretive manner.

The value of the Group's platform is emphasised by the strong operational performance in the period with lettings and lease renewals combined being above ERV, occupancy being maintained at high levels, together with the successful asset recycling that has taken place.

Wholly-owned	**2016**	2015	Change
As at 30 December:			
Contracted rent (like-for-like)	**£57.5m**	£56.6m[1]	+1.6%
Passing rent (like-for-like)	**£53.0m**	£53.7m[1]	-1.3%
Occupancy (like-for-like)	**95.4%**	96.7%[1]	-1.3p.p.
Portfolio value	**£794.1m**	£822.7m	-3.5%
For the year ended 30 December:			
NRI	**£50.4m**	£47.3m	+6.6%
NRI (like-for-like)	**£42.8m**	£42.3m	+1.2%
Footfall – versus prior year	**-0.2%**	-0.6%	
Footfall – versus national index	**+1.9 p.p**	+1.1 p.p.	
Total Property return	**4.1%**	16.0%	-11.9 p.p

[1] Hemel Hempstead as at acquisition used for 2015.

Contracted rent increased by 1.6% on a like-for-like basis, driven by a strong letting performance despite the impact of the BHS administration which initially reduced both passing and contracted rent by £1.3 million. By 30 December 2016 £0.6 million of income had been contracted in relation to the BHS space and a further £0.3 million has been signed since the year end. In total at 30 December 2016, there was £2.7 million of contracted rent in a rent free period of which £2.6 million will convert to passing rent in 2017. There is also a further £1.8 million of contracted rent where the income will commence once the works to create or convert the units has completed.

Occupancy at 30 December 2016 reflects the impact of the BHS administration where the units involved closed during the second half of the year. Whilst as noted below good progress has been made reletting the units the impact of BHS on occupancy at the year end accounted for 1.2 percentage points of the decrease.

New lettings, renewals and rent reviews

Wholly-Owned Centres excluding Camberley	**Year ended 30 December 2016**
Number of new lettings	**58**
Rent from new lettings (£m)	**£4.0m**
Comparison to ERV[1](%)	**+2.3%**
Renewals settled	**24**
Revised rent (£m)	**£1.6m**
Comparison to ERV[1] (%)	**+1.7%**
Lettings and renewals compared to previous rent	**+18%**
Rent reviews settled	**24**
Revised passing rent (£m)	**£3.3m**
Uplift to previous rent (£m)	**-**
Comparison to ERV (%)	**+3.5%**

[1] For lettings and renewals with a term of five years or longer which did not include a turnover rent element

There has been strong leasing activity across the wholly-owned portfolio reflecting the affordability of the schemes, with £4.0 million of rental income achieved through new lettings and a further £1.6 million of rent on renewals settled.

For renewals, we also consider the net effective rent taking into account the valuers assumptions on tenant incentives. The net effective rent achieved on all lease renewals which were for a five year term or greater and contained no element of turnover rent was, at 96.5% of ERV, 3.4% higher than assumed by the Group's valuers.

Operating Review

Creating opportunity from adversity following the BHS Administration

The value of the Group's in-house team is perfectly illustrated by the progress made in reletting the BHS units, resulting in the delivery of significant income increases at Blackburn and Walthamstow over the rent paid by BHS.

At Blackburn, the entire store has been re-let. Wilko have taken a 10 year lease of a 24,500 sq ft store and Sports Direct, who were a subtenant of BHS, have become a direct tenant. This has resulted in a £73,000 uplift in income. Handover of the store to Wilko is scheduled for May 2017.

In Walthamstow, the Group took a surrender of the BHS lease from the administrator and a 25 year letting has been completed with Lidl on 18,000 sq ft on the ground floor since the year end. On the first floor, The Gym has signed a 15 year lease over 15,000 sq ft and a Turkish restaurant has agreed a 15 year lease on a 6,800 sq ft ground floor unit. There are three further retail units totalling 5,400 sq ft which are still available. The Group's aim is to increase rental income at the units in this centre by approximately £500,000 more than was receivable from BHS and the deals referred to above will secure 79% of that targeted income. The estimated capital expenditure to achieve this is £4.1 million, of which 11.5% will be met by the headlessor, London Borough of Waltham Forest, resulting in a net incremental income return to the Group of 12%.

In Maidstone, the Group is pursuing a number of asset management strategies ranging from a single letting of the whole store to scenarios where the store is subdivided for multiple occupiers.

Other leasing activity

Momentum on other lettings has been equally strong driven by the affordability and quality of the space at our schemes. Occupancy costs in our schemes are significantly lower than regional prime centres. Our service charges are extremely competitive, an overall £4.92 per sq ft which is below Jones Lang LaSalle's most recent OSCAR benchmark of £5.67 per sq ft. Average rent is around £15 per sq ft and total occupancy cost ratio is estimated at 12.6%[1]. Across the portfolio, the 2017 business rates revaluation will result in an average decrease in rateable value of 13.5% for the six wholly-owned schemes held at 30 December 2016, with four of the schemes showing significant declines and the two London schemes at Walthamstow and Wood Green increasing by 7.1% and 15.0% respectively.

Further progress has been made in increasing the leisure element in our schemes with 13 new leisure lettings completing with a rent of £0.8 million. The increasing leisure offer, which now stands at over 10% of the portfolio compared to approximately 7% at the end of 2014, attracts a wider customer base and increases dwell time.

Highlights of letting activity as a whole include:

Blackburn - in addition to Wilko, lettings were made to Costa, Burger King and Muffin Break totalling 6,500 sq ft on terms of at least 10 years.

Luton - Holland & Barrett took a new 3,700 sq ft store whilst JD Sports upsized to a 5,500 sq ft unit and Schuh took a 3,400 sq ft unit, all on 10 year terms. Lettings were also completed on a cluster of five new catering offers, further improving the leisure offering at the centre.

Maidstone - TJ Hughes has taken a 10 year lease of a 33,000 sq ft unit and Poundland has completed a 10 year lease on a 6,400 sq ft store. Holland & Barrett have relocated and upsized to 5,000 sq ft and several other occupiers including Greggs, McDonalds and Pizza Hut have refitted following on from the general refurbishment of the scheme that completed in the summer of 2016.

Walthamstow - in addition to the The Gym and Lidl lettings, Holland & Barrett has taken a 4,400 sq ft unit on a 10 year term and Shoe Zone and Select each have signed for five years for a 3,300 sq ft store.

Wood Green - lettings have been made to Choice and Footlocker on 10 year terms for units of 5,900 and 3,800 sq ft respectively. Pret has taken a 15 year lease on 2,500 sq ft at the entrance to the scheme. Since the year end the letting to Five Guys of a new 3,750 sq ft restaurant has been secured and we are progressing discussions with a national retailer to expand into unused basement space. We have also received an attractive offer from a national food retailer for a 7,500 sq ft convenience store.

[1] Estimate based on Blackburn, Luton, Maidstone, Walthamstow, Wood Green. See Glossary for further details.

Operating Review

Administrations and Insolvency

Wholly-owned Centres	**Year ended 30 December 2016**	Year ended 30 December 2015	6 months ended 30 June 2016
Administrations (units)	**18**	9	12
Passing rent (£m)	**2.4**	0.5	1.9

In 2015, on a like-for-like basis, there were nine administrations with passing rent of £0.5 million, compared to £2.4 million of passing rent in 2016, which was largely due to three administrations: AJ Levy Group where seven units were affected, BHS which accounted for three units and Ed's Diner which affected two units. Eight of the affected units have been re-let at an increased level of rent. At 30 December 2016, there were five units with passing rent of £0.5 million which were affected by tenant administration where the tenant was continuing to trade.

There are four units impacted by the proposed Creditors Voluntary Arrangement submitted by Blue Inc in early March 2017 with a combined rent of £0.2 million. There were two other units impacted by administration in 2017 up to the date of these results with a combined rent of less than £0.1 million.

Income security has been strengthened by the improved tenant mix, in particular, through greater diversification, given the increased levels of leisure use within our schemes.

Capital expenditure and developments

The Group's £65 million Capex plan was announced with The Mall acquisition in 2014. £21.2 million was spent in 2016, bringing the total spend to date to £36.1 million. The largest element of the unspent funds relates to the Walthamstow development. The projected income return on these projects in total is over 10%.

Spending in 2016 included:

£2.9 million at Blackburn relating to the reconfiguration to create a 15,000 sq ft gym and three retail units in the new entrance opposite the redeveloped bus station.

£6.2 million at Maidstone including the refurbishment and works to secure the letting of the 33,000 sq ft anchor store to T J Hughes which has reported strong trading since opening.

£4.2 million at Wood Green including the conversion of offices into a 78 bedroom Travelodge and the extension of the gym. The 23,000 sq ft gym was handed over in March 2016 and the Travelodge works are progressing well with handover expected by August 2017. In addition Deichmann opened following the amalgamation of two units to create a new 5,800 sq ft unit.

A new multi-year capital expenditure plan has now been formulated which incorporates the remainder of the £65 million and planned spending on the recent acquisitions in Hemel Hempstead and Ilford. This totals £80 million at an anticipated average income return of around 10%, with at least £30 million expected to be spent in 2017. This emphasises the accretive opportunities inherent within the portfolio owing to their location and dominance. The £80 million includes:

- £13 million repositioning of The Marlowes, Hemel Hempstead
- £8.5 million net repositioning investment in The Exchange, Ilford
- £4.5 million conversion of the Market Hall at Luton into 50,000 sq ft of MSU space.
- £3.5 million for the reconfiguration and break-up of the former BHS store at Walthamstow

Operating Review

The Group continues to progress its plans to extend Walthamstow to deliver 92,000 sq ft of new retail space and over 400 residential units. An agreement has been reached with the London Borough of Waltham Forest within which the headlease will be extended from 71 years to 250 years. Public consultation has taken place and a planning application is expected to be submitted in March 2017 with consent expected by the end of the year.

Footfall, car park income and trade index
Footfall at the Group's wholly-owned shopping centres outperformed the national footfall index by 1.9 percentage points during 2016, registering a small decline of 0.2% versus a national ShopperTrak index decline of 2.1%.

Car park usage was 5.5 million visits, resulting in gross car park income increasing by 1.3% with tariff increases more than offsetting a small decline in usage.

Our in-house C&R trade index estimated retailer sales to be 0.1% higher than 2015, indicating resilient levels of trading across the portfolio.

Short term lettings
Short term lettings are used to maximise the vibrancy of our schemes, to minimise the costs of vacant units, and to provide opportunities for new and growing retailers to experience our schemes. At 30 December 2016, on a like-for-like basis, there were 59 temporary lettings (2015: 74) for a net rent of £0.8 million (2015: £0.4 million) as compared to an ERV of £2.5 million (2015:£ 3.9 million). With increasing levels of occupancy, the Group will look to convert these lettings onto permanent terms with higher rents.

Investment portfolio performance
The property level total returns for the wholly-owned portfolio, as held at 30 December 2016, are set out below:

	Property valuation	Capital return	Total return	Initial yield	Equivalent yield
30 December 2016	**£m**	**%**	**%**	**%**	**%**
Wholly-owned portfolio	794.1	-1.9	4.1	6.0	6.2

Acquisitions and Disposals

The Group continually assesses the returns available from the schemes within its portfolio and actively seeks to recycle capital into assets or projects which offer more accretive opportunities for the Group's in-house asset management team to generate income and value.

Disposals

The Mall, Camberley

The Group completed the sale of The Mall, Camberley to Surrey Heath Borough Council on 28 October 2016 for £86.0 million at a net initial yield of 5.9%. This compares to the value of £75.0 million, and a net initial yield of 7.18%, when Capital & Regional bought out The Mall Fund in 2014. Allowing for the capital expenditure invested and income returned since then this represents an IRR of 10%.

Buttermarket Centre, Ipswich

The Group sold its 50% interest in The Buttermarket Centre in Ipswich to National Grid Pension Fund on 17 February 2017. This is expected to realise £13.5 million to the Group after repayment of related debt, delivering an IRR of over 40%. The initial consideration received was £9.8 million with the expected balance of £3.7 million, contingent on the completion of the letting programme. The impact of the sale is reflected in the year end numbers as the investment was reclassified as an asset held for sale at 30 December 2016.

The centre was acquired in March 2015 through a 50:50 joint venture with Drum Property Group for £9.6 million at a Net Initial Yield of 8.5%. A £25 million reconfiguration and modernisation created a 235,000 sq ft retail and leisure complex. The retail space has been consolidated onto the ground floor and is anchored by TK Maxx and New Look, while Empire Cinemas has taken a lease of a 12 screen cinema on the upper floors, as part of a leisure suite of nine restaurant units including Prezzo, Wagamama, Byron Burgers and Coast to Coast and a Pure Gym.

Operating Review

Acquisitions

The Marlowes, Hemel Hempstead

On 5 February 2016 the Group completed the acquisition of The Marlowes Shopping Centre for £35.5 million, representing an initial yield of 7.0%, with the vendor funding the replacement of the glazed atrium roof as part of the transaction. The Group subsequently acquired the adjacent Edmonds Parade and Fareham House properties for a total of £18.3 million.

Together these provide the Group with substantial control of the retail heart of a strong south east town with the potential to be fundamentally repositioned as an attractive shopping and leisure destination, following on from the significant local authority investment which has already benefitted the town. The Group is planning to invest capital expenditure of around £13 million in the next three years with a targeted income return in the high single digits.

The Exchange Centre, Ilford

On 8 March 2017 the Group completed the acquisition of The Exchange Centre, Ilford for £78 million, representing a net initial yield of 6.70%.

The Exchange Centre is located opposite Ilford train station which will be rebuilt ahead of the opening of Crossrail, which is planned for 2019. It has three trading levels with 77 units providing 300,000 sq ft of lettable space and a multi-storey car park with over 1,000 spaces. The scheme is anchored by Debenhams and Marks & Spencer with other retailers including H&M, Next, River Island, Sports Direct, TK Maxx and Wilko. The Group is planning to make a net invest of approximately £8.5 million of capital expenditure in the scheme, focused primarily on transforming the leisure offer and crystallising value from the significant residential opportunity.

Redditch

The Group has a 20% interest in, and is the property and asset manager of, The Kingfisher Centre, Redditch. This scheme was also affected by the BHS insolvency in 2016 but following the year end the entire 46,000 sq ft store has been re-let to The Range on a 10 year term. Other significant lettings include the letting of space that had never previously been let, to a soft play operator, 360 Play, on a 14 year lease. Contracted income marginally decreased by £0.1 million to £12.2 million at 30 December 2016.

Occupancy at 30 December 2016 was 93.3% (2015: 96.7%) as a result of the BHS and Ed's Diner insolvencies which occurred in the second half of the year and represented 3.7% occupancy. Both of these units have now been re-let.

Snozone

In an increasingly competitive market place, Snozone produced another strong performance returning profits of £1.4 million. With the roll out of its mobile slopes and the launch of a Disability Snow school and Education programme, Snozone continues to enhance its core offering and explore new opportunities to innovate.

Financial review

	2016	2015	Change
Profitability			
Net Rental Income	**£52.6m**	£49.3m	+6.7%
Adjusted Profit[1]	**£26.8m**	£24.0m	+11.7%
Adjusted Earnings per share	**3.8p**	3.4p	+11.7%
IFRS (Loss)/Profit for the period	**£(4.4)m**	£100.0m	
EPRA cost ratio (excluding vacancy costs)	**25.8%**	26.4%	-60bps
Net Administrative Expenses to Gross Rent	**13.6%**	14.8%	-120bps
Investment returns			
Net Asset Value (NAV) per share	**68p**	72p	-4p
EPRA NAV per share	**68p**	71p	-3p
Dividend per share	**3.39p**	3.12p	+8.7%
Dividend pay-out	**88.7%**	91.1%	
Return on equity	**(0.9)%**	23.5%	
Financing[2]			
Proforma group net debt	**£328.6m**	£338.1m	-£9.5m
Proforma see-through net debt	**£354.0m**	£355.7m	-£1.7m
Adjusted for the 2017 sale of Ipswich and acquisition of Ilford:			
Proforma see-through net debt to property value[3,4]	**46%**	45%	+1p.p.
Proforma average debt maturity[4,5]	**7.8 years**	3.6 years	+4.2 years
Proforma cost of debt[4,6]	**3.26%**	3.51%	-25bps

[1] Adjusted Profit is as defined in the Glossary and Note 1 to the Financial Statements. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the Financial Statements.
[2] 2016 adjusted for refinancing of the Mall assets completed on 4 January 2017.
[3] See-through net debt divided by property valuation.
[4] 2015 adjusted to reflect Hemel Hempstead acquisitions completed in February/March 2016.
[5] As at date of results, assuming exercise of all extension options.
[6] Assuming RCF fully drawn.

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

Profitability

Components of Adjusted Profit and reconciliation to IFRS Profit

Amounts in £m		Year to 30 December	Year to 30 December 2015
Net rental income			
Wholly-owned assets (see analysis on next page)		**50.4**	47.3
Kingfisher, Redditch[1]		**1.7**	1.8
Buttermarket, Ipswich[2]		**0.5**	0.2
		52.6	49.3
Net interest (see analysis on page 14)		**(20.3)**	(19.5)
Snozone profit (indoor ski operation)		**1.4**	1.4
Central operating costs net of external fees		**(6.9)**	(7.2)
Adjusted Profit		**26.8**	24.0
Adjusted Earnings per share (pence)[3]	**3.8p**		3.4p
Reconciliation of Adjusted Profit to statutory result			
Adjusted Profit		**26.8**	24.0
Property revaluation (including Deferred Tax)		(14.5)	74.8
(Loss)/profit on disposals		(2.6)	2.5
Loss on financial instruments		(2.5)	(0.8)
Refinancing costs		(11.0)	-
Other items[4]		(0.6)	(0.5)
(Loss)/profit for the period		**(4.4)**	100.0

[1] See note 7d to the Financial Statements.
[2] See note 7e to the Financial Statements.
[3] EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the Financial Statements.
[4] Includes £0.5 million for the non-cash accounting charge in respect of share-based payments (2015: £0.6 million)

Financial review

Profitability (continued)

Adjusted Profit and Adjusted Earnings per share increased 11.7% reflecting good operational performance in the period together with the positive impact from the Hemel Hempstead acquisitions, net of the sale of The Mall, Camberley.

Included within Loss for the period is the £11.0 million of refinancing costs triggered by serving notice on the existing debt facility on the five Mall assets on 28 December 2016 (see below for further details). They comprise £7.6 million of fixed rate loan redemption costs and the non-cash write off of the £3.4 million unamortised financing costs at 30 December 2016.

Central operating costs net of external fees has improved by £0.3 million. We expect our continued emphasis on reducing costs and improving efficiency to deliver a cost saving of at least £0.5 million per annum for 2017.

Wholly-owned assets Net rental income

Further detail on the components of Net rental income for the core wholly-owned portfolio is provided below. Included within wholly-owned for 2015 were the results for Blackburn, Camberley, Luton, Maidstone, Walthamstow and Wood Green. 2016 includes Camberley until its disposal on 11 November 2016 and the contributions from The Marlowes, Hemel Hempstead acquired on 5 February 2016 as well as the adjacent Edmonds Parade and Fareham House properties on 26 February 2016 and 18 March 2016 respectively. Net rental income attributable to Camberley in 2016 was £4.2 million (2015: £5.0 million) and the Hemel Hempstead assets were £3.5 million (2015: nil).

Gross rental income increased by 7.8% to £62.0 million and Net rental income by 6.6% to £50.4 million.

Amounts in £m			**2016**		**2015**
Rental income			**51.0**		47.7
Car park income			**8.5**		7.4
Ancillary income			**2.5**		2.4
Gross rental income			**62.0**		57.5
Service charge and void costs			**(4.4)**		(3.6)
Bad debt			**(0.8)**		(0.5)
External Operator/Fund Manager fees			**(0.1)**		(0.1)
Other property expenses	Car park costs	**(3.4)**		(3.1)	
	Head leases	**(3.1)**		(3.1)	
	IFRS head lease adjustment[1]	**3.6**		3.6	
	Letting and rent review fees	**(1.2)**		(1.2)	
	Administration expenses	**(0.5)**		(0.7)	
	Repairs and maintenance	**-**		(0.2)	
	Other costs	**(1.7)**		(1.3)	
			(6.3)		(6.0)
Net rental income			**50.4**		47.3

[1] Notional interest charge with offsetting opposite and materially equal credit within net interest.

Net Asset Value

1.6 pence of the fall in Net Asset Value per share was due to the costs associated with putting in place the new long-term debt on the five Mall assets. A further 1.2 pence was due to the 1% increase in stamp duty during the year and 0.9 pence from the fall in property values.

Financial review

Financing

Net interest on a see-through basis

Amounts in £m	**Year to 30 December 2016**	Year to 30 December 2015
Wholly-owned assets		
Net Interest on loans	**14.0**	13.0
Amortisation of refinancing costs	**1.4**	1.3
Notional interest charge on head leases[1]	**3.6**	3.6
	19.0	17.9
Kingfisher, Redditch	**0.8**	0.8
Buttermarket, Ipswich	**0.1**	-
Central	**0.4**	0.8
Net Group interest	**20.3**	19.5

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

The increase in interest on Wholly-owned assets is a consequence of interest incurred on the Hemel loan of £1.1 million since acquisition. It is expected that total debt costs will be at least £0.5 million lower for 2017, benefiting from the refinancing of the Mall assets that completed on 4 January 2017 and as detailed further below.

Proforma see-through debt

The following analysis is provided on a proforma basis to reflect the refinancing of the debt on the five Mall assets that completed on 4 January 2017. This is essentially the year end position as the notice to repay the existing debt had been served on 28 December 2016 and the redemption costs were reflected as a charge in 2016 profit. The table has been further extended to show the impact of the sale of the Buttermarket Ipswich on 17 February 2017 and acquisition of The Exchange Centre, Ilford on 8 March 2017 to reflect the position at the time of reporting.

Group share	**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 2016	**£m**	£m	**£m**	%	%	%	%	Years	Years
Mall assets	**362.5**	(17.3)	**345.2**	49	47	3.27	100	7.8	8.8
Hemel Hempstead	**26.9**	(1.9)	**25.0**	49	46	3.32	100	4.0	6.0
Group RCF	**-**	(41.6)	**(41.6)**	n/a	n/a	3.52	-	2.4	2.4
On balance sheet debt	**389.4**	(60.8)	**328.6**						
Buttermarket Ipswich	**9.7**	(0.1)	**9.6**	36	36	3.51	-	-	-
Kingfisher Redditch	**16.8**	(0.8)	**16.0**	55	52	3.66	100	2.3	2.3
Off balance sheet debt	**26.5**	(0.9)	**25.6**						
Proforma see-through debt	**415.9**	(61.7)	**354.2**	49	42				
Adjusted for the sale of Ipswich and acquisition of Ilford:									
Ipswich disposal	**(9.7)**	(9.7)	**(19.4)**						
Ilford acquisition	**39.0**	40.3	**79.3**	50	50	2.76	100	7.0	7.0
See-through debt at time of results	**445.2**	(31.1)	**414.1**	49	46	3.26	94	7.0	7.8

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

Our target range for net debt to property value remains 40%-50% with an intention to bring this to the lower end of that range in the medium term.

Financial review

Financing (continued)

As noted above the existing debt on the Mall assets was refinanced on 4 January 2017 and the following commentary therefore reflects the new arrangements:

Blackburn, Maidstone, Walthamstow and Wood Green

These were refinanced with a £165 million 10 year loan with Teachers Insurance and Annuity Association of America with a one year extension option, and a £100 million bank facility of five years with two one year extension options with The Royal Bank of Scotland plc. £90 million of this latter facility has been drawn down with a further £10 million available to fund future capex.

The weighted average maturity of the two new facilities is 8.1 years, rising to 9.5 years if the extension options are assumed to be exercised. Interest on the new facilities has been fixed resulting in an overall blended rate of 3.33%.

Luton

As part of the refinancing The Mall Luton was transferred out of The Mall Limited Partnership which holds the other four assets. It is now held in a separate structure which allowed us to fund this asset separately and provides greater future flexibility. Luton was refinanced with a £107.5 million seven year loan with Wells Fargo Bank International Unlimited. Interest on the new facility has been fixed at 3.14%.

The Hemel Hempstead debt facility

The £26.9 million Hemel Hempstead loan, which was drawn in two tranches in February and March 2016, was for an initial five year term with two one year extension options available at the end of each of the first two years, the first of which was agreed subsequent to 30 December 2016. Interest is fixed via two seven year swaps resulting in a total interest rate of 3.32%.

The Exchange Ilford debt facility

The £39 million facility with DekaBank Deutsche Girozentrale was drawn on completion of the acquisition of The Exchange Centre, Ilford on 8 March 2017. The debt has been 100% hedged for the full term using interest rate swaps resulting in an all-in cost of debt of 2.76%.

Group Revolving Credit Facility (RCF)

Interest on the facility is charged at a margin of 3.0% per annum above LIBOR. A non-utilisation fee of 1.5% is payable. No amount was drawn at year end.

Covenants

The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 December 2016. Further details are disclosed in the ‘covenant information’ section at the end of this report.

Going Concern

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

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

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

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

Financial review

South African secondary listing

At 30 December 2016, 58,253,524 of the Company's shares were held on the South African register representing 8.29% of the total shares in issue.

Dividend

The Board is proposing a final dividend of 1.77 pence per share, taking the full-year dividend to 3.39 pence per share, representing an 8.7% increase from 2015. The Board has re-affirmed its guidance that the company will target year on year dividend growth in the range of 5% to 8% per annum over the medium term.

The key dates in relation to the payment of the 2016 final dividend are:

- Confirmation of ZAR equivalent dividend and PID percentage 13 April 2017
- Last day to trade on Johannesburg Stock Exchange (JSE) 24 April 2017
- Shares trade ex-dividend on the JSE 25 April 2017
- Shares trade ex-dividend on the London Stock Exchange (LSE) 27 April 2017
- Record date for LSE and JSE 28 April 2017
- AGM 9 May 2017
- Dividend payment date 16 May 2017

The amount to be paid as a PID will be confirmed in the announcement on 13 April 2017. If a Scrip dividend alternative is offered the deadline for submission of valid election forms will be 28 April 2017. South African shareholders are advised that the final dividend will be regarded as a foreign dividend. Further details relating to Withholding Tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on 13 April 2017. Share certificates on the South African register may not be dematerialised or rematerialised between 25 April 2017 and 28 April 2017, both dates inclusive. Transfers between the UK and South African registers may not take place between 13 April 2017 and 28 April 2017, both dates inclusive.

Charles Staveley
Group Finance Director

Managing Risk

Risk management process

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

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

This risk matrix is also used in performing our annual assessment of the material financial, operational and compliance controls that mitigate the key risks identified. Each control is assessed or tested for evidence of its effectiveness. The review concluded that all such material controls were operating effectively during 2016.

Principal risks at 30 December 2016

Following the risk reviews carried out at 30 June 2016 and 30 December 2016 two risks have been added to the list of principal Group risks to the list disclosed in the 2015 Annual Report being property valuation and business disruption from a major incident. Property valuation reflects the risk that given the relatively low current volume of investment market activity a lack of relevant comparable transactional evidence could increase the level of subjectivity in property valuations and widen the range of possible outcomes. Business disruption from a major incident reflects the potential impact to operations and future trading of a significant event such as a terrorist attack.

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

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

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

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

Risk	Impact	Mitigation
Other risks		
Execution of business plan		
• Failure to execute business plan in line with internal and external expectations	• Potential loss of income or value resulting in lower cash flow and property valuation • Reputational damage negatively impacting investor market perception	• Management of projects and the individual shopping centres by experienced and skilled professionals • Strong relationships with retailers and contractors/suppliers • Ongoing monitoring of performance against plan and key milestones
Property acquisition/disposal strategy		
• Exposure to risks around overpayment for acquisitions • Portfolio not effectively managed through the investment cycle, with sales and de-leveraging at the appropriate time	• Overpayment may result in acquisitions not delivering forecast returns • The Group may not be able to take advantage of investment opportunities as they arise • Covenants may move adversely when the cycle changes	• Regular monitoring of the property market and the use of professional advisers • Impact of cycle reflected in business planning
Tax risks		
• Exposure to non-compliance with the REIT regime and changes in tax legislation or the interpretation of tax legislation • Potential exposure to tax liabilities in respect of transactions undertaken where the tax authorities disagree with the tax treatment adopted	• Tax related liabilities and other losses could arise	• Monitoring of REIT compliance • Expert advice taken on tax positions and other regulations • Maintenance of a regular dialogue with the tax authorities
Regulation risks		
• Exposure to changes in existing or forthcoming property related or corporate regulation	• Failure to comply could result in financial penalties, loss of business or credibility	• Management undertake training to keep aware of regulatory changes • Expert advice taken on complex regulatory matters
Loss of key management		
• Dependence of the Group's business on the skills of a small number of key individuals	• Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce effectiveness	• Key management are paid market salaries and offered competitive incentive packages to ensure their retention • New LTIP awards made in 2016 • Succession planning for key positions is undertaken as evidenced by CEO transition announced post year end • Performance evaluation, training and development programmes are in place to maintain and enhance the quality of staff
Historic transactions		
• Historic sales have included vendor warranties and indemnities and as such, the Group has potential exposure to future claims from the purchaser	• Warranty and indemnity related liabilities and other losses could arise	• Use of professional advisers to achieve properly negotiated agreements in terms of scope, extent of financial liability and timeframe • Monitoring of ongoing exposure

Unaudited preliminary consolidated income statement

For the year to 30 December 2016

	Note	2016 £m	2015 £m
Continuing operations			
Revenue	3	**87.2**	80.7
Cost of sales		**(32.5)**	(29.1)
Gross profit		**54.7**	51.6
Administrative costs		**(10.9)**	(10.8)
Share of profit in associates and joint ventures	7a	**0.3**	7.8
(Loss)/profit on revaluation of investment properties		**(14.2)**	68.0
Other gains and losses		**(1.8)**	0.2
Profit on ordinary activities before financing		**28.1**	116.8
Finance income		**0.4**	0.7
Finance costs		**(33.0)**	(19.9)
(Loss)/profit before tax		**(4.5)**	97.6
Tax credit	4a	**0.1**	-
(Loss)/profit for the year from continuing operations		**(4.4)**	97.6
Discontinued operations			
Profit for the year from discontinued operations	13	**-**	2.4
(Loss)/profit for the year		**(4.4)**	100.0
Continuing operations			
Basic earnings per share	5a	**(0.6)p**	13.9p
Diluted earnings per share	5a	**(0.6)p**	13.7p
Continuing and discontinued operations			
Basic earnings per share	5a	**(0.6)p**	14.3p
Diluted earnings per share	5a	**(0.6)p**	14.0p
EPRA earnings per share			
EPRA basic earnings per share	5a	**3.7p**	3.4p
EPRA diluted earnings per share	5a	**3.7p**	3.3p

Unaudited preliminary consolidated statement of comprehensive income

For the year to 30 December 2016

	2016 £m	2015 £m
(Loss)/profit for the year	**(4.4)**	100.0
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**-**	(1.6)
Gain on a hedge of a net investment taken to equity	**-**	-
Total items that that may be reclassified subsequently to profit or loss:	**-**	(1.6)
Total comprehensive income for the year	**(4.4)**	98.4

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

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

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

Unaudited preliminary consolidated balance sheet
At 30 December 2016

	Note	2016 £m	2015 £m
Non-current assets			
Investment properties	6	**838.5**	870.0
Plant and equipment		**0.9**	0.6
Fixed asset investments	13	**1.9**	1.6
Receivables		**14.3**	15.9
Investment in associates	7b	**13.9**	15.9
Investment in joint ventures	7c	**-**	11.7
Total non-current assets		**869.5**	915.7
Current assets			
Receivables		**13.4**	13.7
Cash and cash equivalents	8	**49.1**	49.9
Assets classified as held for sale	7c	**13.9**	-
Total current assets		**76.4**	63.6
Total assets	2b	**945.9**	979.3
Current liabilities			
Bank loans	9	**(334.6)**	-
Trade and other payables		**(41.3)**	(33.7)
Liabilities directly associated with assets held for sale	7c	**(0.4)**	-
		(376.3)	(33.7)
Net current (liabilities)/assets		**(299.9)**	29.9
Non-current liabilities			
Bank loans	9	**(26.2)**	(374.9)
Other payables		**(4.4)**	(2.1)
Obligations under finance leases		**(61.4)**	(65.4)
Total non-current liabilities		**(92.0)**	(442.4)
Total liabilities	2b	**(468.3)**	(476.1)
Net assets		**477.6**	503.2
Equity			
Share capital		**7.0**	7.0
Share premium		**158.2**	157.2
Other reserves		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Own shares held		**(0.4)**	(0.6)
Retained earnings		**248.1**	274.9
Equity shareholders' funds		**477.6**	503.2
Basic net assets per share	11	**£0.68**	£0.72
EPRA triple net assets per share	11	**£0.67**	£0.70
EPRA net assets per share	11	**£0.68**	£0.71

Unaudited preliminary consolidated statement of changes in equity

For the year to 30 December 2016

			Other reserves						
	Share capital £m	Share Premium[1] £m	Merger Reserve[2] £m	Foreign currency Reserve[1] £m	Net investment hedging Reserve[1] £m	Capital redemption Reserve[1] £m	Own shares Reserve[3] £m	Retained Earnings[4] £m	Total Equity £m
Balance at 30 December 2014	**7.0**	**157.2**	**60.3**	**1.6**	**(0.4)**	**4.4**	**(0.6)**	**189.5**	**419.0**
Profit for the year	-	-	-	-	-	-	-	100.0	100.0
Other comprehensive loss for the year	-	-	-	(1.6)	-	-	-	-	(1.6)
Total comprehensive income for the year	-	-	-	**(1.6)**	-	-	-	**100.0**	**98.4**
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	-	0.6	0.6
Dividends paid (Note 14)	-	-	-	-	-	-	-	(14.7)	(14.7)
Other movements	-	-	-	-	0.4	-	-	(0.5)	(0.1)
Balance at 30 December 2015	**7.0**	**157.2**	**60.3**	**-**	**-**	**4.4**	**(0.6)**	**274.9**	**503.2**
Loss for the year	-	-	-	-	-	-	-	(4.4)	(4.4)
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	**(4.4)**	**(4.4)**
			-	-	-	-			
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	-	0.5	0.5
Dividends paid (Note 14)	-	-	-	-	-	-	-	(21.7)	(21.7)
Shares issued, net of costs	-	1.0	-	-	-	-	-	(1.0)	-
Other movements	-	-	-	-	-	-	0.2	(0.2)	-
Balance at 30 December 2016	**7.0**	**158.2**	**60.3**	**-**	**-**	**4.4**	**(0.4)**	**248.1**	**477.6**

Notes:

1 These reserves are not distributable.

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

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

4 The Company has determined what is realised and unrealised in accordance with the guidance provided by ICAEW TECH 2/10 and the requirements of UK law. In accordance with UK Companies Act 2006 s831(2), a public company may make a distribution only if, after giving effect to such distribution, the amount of its net assets is not less than the aggregate of its called up share capital and non-distributable reserves as shown in the relevant accounts.

Unaudited preliminary consolidated cash flow statement

For the year to 30 December 2016

	Note	**2016 £m**	2015 £m
Operating activities			
Net cash from operations	10	**41.1**	29.9
Distributions received from associates	7b	**0.5**	0.2
Distributions received from fixed asset investments (including German B-note)		**4.2**	-
Interest paid		**(14.6)**	(13.4)
Interest received		**0.1**	0.4
Income taxes received		**-**	0.9
Cash flows from operating activities		**31.3**	18.0
Investing activities			
Disposal of German joint venture	13	**-**	42.3
Disposal of The Mall, Camberley		**85.7**	-
Other disposals		**0.7**	-
Acquisitions in Hemel Hempstead		**(56.6)**	-
Purchase of plant and equipment		**(0.5)**	(0.2)
Capital expenditure on investment properties		**(20.6)**	(11.4)
Investment in joint ventures		**-**	(6.4)
Settlement of forward foreign exchange contract		**-**	2.0
Cash flows from investing activities		**8.7**	26.3
Financing activities			
Dividends paid (net of Scrip)	14	**(21.7)**	(13.2)
Bank loans drawn down		**26.9**	-
Bank loans repaid		**(45.4)**	(23.4)
Loan arrangement costs		**(0.6)**	(0.4)
Cash flows from financing activities		**(40.8)**	(37.0)
Net (decrease)/increase in cash and cash equivalents		**(0.8)**	7.3
Cash and cash equivalents at the beginning of the year		**49.9**	42.6
Cash and cash equivalents at the end of the year	8	**49.1**	49.9

1 Significant Accounting Policies

General information
Capital & Regional plc is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The financial information set out in the announcement does not constitute the Company's statutory financial statements for the years ended 30 December 2016 or 2015. The financial information for the year ended 30 December 2015 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 2016 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

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

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in March 2017.

Accounting developments and changes
In the current financial year the Group has adopted Annual Improvements to the IFRSs 2010-2012 Cycle (various standards). None of these standards have impacted the Group's reporting. Other than this the accounting policies applied by the Company were the same as in the prior year.

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

Operating segments
The Group's reportable segments under IFRS 8 are Wholly-owned assets, Other UK Shopping Centres, Snozone and Group/Central. Other UK Shopping Centres consists of the Group's share in the Kingfisher Limited Partnership (Redditch) and, until its reclassification as held for sale on 30 December 2016, Buttermarket Ipswich Limited. Group/Central includes external 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 and trading properties. The Snozone and Group/Central segments derive their revenue from the operation of indoor ski slopes and the management of property respectively. The split of revenue between these classifications satisfies the requirement of IFRS 8 to report revenues from different products and services. Depreciation and charges in respect of share-based payments represent the only significant non-cash expenses.

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

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

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

2a Operating segments

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

[1] Includes Buttermarket Ipswich and Kingfisher Redditch. For further information see Note 7.
[2] Asset management fees of £3.6 million charged from the Group’s Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.
[3] Includes £0.6 million impairment of Ipswich trading property recognised on reclassification as held for sale.
[4] £3.9 million of monies were received in the year through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies were distributed following the sale of properties by the liquidator of the underlying German entities.
[5] Refinancing costs consist of those triggered by serving notice on the existing debt facility on five Mall assets on 28 December 2016 (see Note 9 for further details). They comprise £7.6 million of fixed rate loan redemption costs and the write off of the £3.4 million of financing costs that were unamortised at 30 December 2016.
[6] Net assets of the Buttermarket Ipswich joint venture have been included within Group following its reclassification as held for sale on 30 December 2016. The results for the year are reflected in the Other UK Shopping Centres column.

2a Operating segments

		UK Shopping Centres						
		Wholly-owned assets[1]	Other UK Shopping Centres	Snozone	Group/ Central[1]	**Total Continuing Operations**	Discontinued Operations	**Total**
Year to 30 December 2015	Note	£m	£m	£m	£m	**£m**	£m	**£m**
Rental income from external sources	2b	57.5	3.1	-	-	**60.6**	-	**60.6**
Property and void costs		(10.2)	(1.1)	-	-	**(11.3)**	-	**(11.3)**
Net rental income		47.3	2.0	-	-	**49.3**	-	**49.3**
Interest income		0.3	-	-	0.2	**0.5**	-	**0.5**
Interest expense		(18.2)	(0.8)	-	(1.0)	**(20.0)**	-	**(20.0)**
Snozone income/ Management fees[1]	2b	-	-	10.3	2.3	**12.6**	-	**12.6**
Management expenses		-	-	(8.8)	(7.7)	**(16.5)**	-	**(16.5)**
Depreciation		-	-	(0.1)	(0.1)	**(0.2)**	-	**(0.2)**
Variable overhead (excluding non-cash items)		-	-	-	(1.7)	**(1.7)**	-	**(1.7)**
Tax charge		-	-	-	-	**-**	-	**-**
Adjusted Profit		29.4	1.2	1.4	(8.0)	**24.0**	-	**24.0**
Revaluation of properties		68.0	6.8	-	-	**74.8**	-	**74.8**
Profit on disposal		0.1	-	-	-	**0.1**	2.4	**2.5**
Loss on financial instruments		(0.8)	-	-	-	**(0.8)**	-	**(0.8)**
Share-based payments (non-cash)		-	-	-	(0.6)	**(0.6)**	-	**(0.6)**
Other items		-	(0.2)	-	0.3	**0.1**	-	**0.1**
Profit/(loss)		96.7	7.8	1.4	(8.3)	**97.6**	2.4	**100.0**
Total assets	2b	923.6	49.0	3.0	25.1	**1,000.7**	-	**1,000.7**
Total liabilities	2b	(471.4)	(21.4)	(1.7)	(3.0)	**(497.5)**	-	**(497.5)**
Net assets		452.2	27.6	1.3	22.1	**503.2**	-	**503.2**

[1] Asset management fees of £3.8 million charged internally from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above which has also been restated to exclude other internal cost recharges.

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Rental income from external sources	2a	**65.4**	60.6
Service charge income		**14.0**	11.9
Management fees	2a	**2.4**	2.3
Snozone income	2a	**10.2**	10.3
Revenue for reportable segments – continuing operations		**92.0**	85.1
Elimination of inter-segment revenue		**(1.4)**	(1.3)
Rental income earned by associates and joint ventures	2a	**(3.4)**	(3.1)
Revenue per consolidated income statement – continuing operations	3	**87.2**	80.7

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

Assets	Note	2016 £m	2015 £m
Total assets of reportable segments	2a	**964.1**	1,000.7
Adjustment for associates and joint ventures		**(18.2)**	(21.4)
Group assets		**945.9**	979.3
Liabilities			
Total liabilities of reportable segments	2a	**(486.5)**	(497.5)
Adjustment for associates and joint ventures		**18.2**	21.4
Group liabilities		**(468.3)**	(476.1)
Net assets by country			
UK		**477.5**	503.1
Germany		**0.1**	0.1
Group net assets		**477.6**	503.2

3 Revenue

	Note	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Gross rental income		**51.0**	47.7
Ancillary income		**11.0**	9.8
	2a	**62.0**	57.5
Service charge income	2b	**14.0**	11.9
External management fees		**1.0**	1.0
Snozone income	2a	**10.2**	10.3
Revenue per consolidated income statement – continuing operations	2b	**87.2**	80.7

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

4 Tax

4a Tax credit

	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Current tax		
UK corporation tax	**-**	-
Adjustments in respect of prior years	**(0.1)**	-
Total current tax credit	**(0.1)**	-
Deferred tax		
Origination and reversal of temporary timing differences	**-**	-
Total deferred tax	**-**	-
Total tax credit	**(0.1)**	-

£nil (2015: £nil) of the tax charge relates to items included in other comprehensive income.

4 Tax (continued)

4b Tax charge reconciliation

	Note	**Year to 30 December 2016 £m**	Year to 30 December 2015 £m
(Loss)/profit before tax on continuing operations		**(4.5)**	97.6
(Loss)/profit multiplied by the UK corporation tax rate of 20% (2015: 20.25%)		**(0.9)**	19.8
REIT exempt income and gains		**(1.5)**	(18.5)
Non-allowable expenses and non-taxable items		**(0.5)**	-
Excess tax losses/(utilisation of tax losses)		**0.4**	0.3
Unrealised losses/(gains) on investment properties not taxable		**2.6**	(1.5)
Temporary timing and controlled foreign companies income		**(0.1)**	(0.1)
Adjustments in respect of prior years		**(0.1)**	-
Total tax credit	4a	**(0.1)**	-

4c Deferred tax

The UK corporation tax main rate was reduced to 20% with effect from 1 April 2015. The budget on 16 March 2016 announced a further phased reduction in the UK corporation tax main rate whereby the rate is proposed to reduce to 17% by 1 April 2020. This proposal was substantively enacted on 6 September 2016. Consequently the UK corporation tax rate at which deferred tax is booked in the financial statements is 17% (2015: 18%).

The Group has recognised a deferred tax asset of £0.1 million (2015: £0.1 million). No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates or 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 £13.9 million (2015: £9.2 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 (2015: £nil). The Group has unused capital losses of £30.5 million (2015: £30.4 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

4d REIT compliance

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

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

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

5 Earnings per share

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

5a Earnings per share calculation

	Note	Year to 30 December 2016			Year to 30 December 2015		
		Profit	**EPRA**	**Adjusted Profit**	Profit	EPRA	Adjusted Profit
Profit (£m)							
(Loss)/profit for the year (continuing operations)		**(4.4)**	**(4.4)**	**(4.4)**	97.6	97.6	97.6
Revaluation loss/(gain) on investment properties (net of tax)	5b	**-**	**14.5**	**14.5**	-	(74.8)	(74.8)
Loss/(profit) on disposal of properties (net of tax)	5b	**-**	**6.5**	**6.5**	-	(0.1)	(0.1)
Income from German B Note	2a	**-**	**(3.9)**	**(3.9)**	-	-	-
Changes in fair value of financial instruments	5b	**-**	**2.5**	**2.5**	-	0.8	0.8
Refinancing costs		**-**	**11.0**	**11.0**	-	-	-
Deferred tax credit on capital allowances		**-**	**-**	**-**	-	0.1	0.1
Share-based payments	2a	**-**	**-**	**0.5**	-	-	0.6
Other items	2a	**-**	**-**	**0.1**	-	-	(0.2)
Profit from continuing operations		**(4.4)**	**26.2**	**26.8**	97.6	23.6	24.0
Discontinued operations		-	-	-	2.4	-	-
Profit		**(4.4)**	**26.2**	**26.8**	100.0	23.6	24.0
Earnings per share (pence)		**(0.6)p**	**3.7p**	**3.8p**	14.3p	3.4p	3.4p
Diluted earnings per share (pence)		**(0.6)p**	**3.7p**	**3.8p**	14.0p	3.3p	3.4p
Earnings per share (pence) (continuing operations)		**(0.6)p**	**3.7p**	**3.8p**	13.9p	3.4p	3.4p
Earnings per share (pence) (discontinued operations)		**-**	**-**	**-**	0.4p	-	-

None of the current year earnings related to discontinued operations (2015: 0.4p basic earnings per share and 0.3p diluted earnings per share).

Weighted average number of shares (m)	**Year to 30 December 2016**	Year to 30 December 2015
Ordinary shares in issue	**701.0**	700.8
Own shares held	**(0.6)**	(1.0)
Basic	**700.4**	699.8
Dilutive contingently issuable shares and share options	**10.0**	12.6
Diluted	**710.4**	712.4

At the end of the year, the Group had 11,929,797 (2015: 6,253,547) 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 conditions for vesting have not been met.

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

	Note	Year to 30 December 2016			Year to 30 December 2015		
		Revaluation movements	**Profit on disposal of investment properties**	**Movement in fair value of financial instruments**	Revaluation movements	Profit on disposal of investment properties	Movement in fair value of financial instruments
		£m	**£m**	**£m**	£m	£m	£m
Wholly-owned		**(14.2)**	**(5.9)**	**(2.5)**	68.0	0.1	(0.8)
Associates	7d	**(2.3)**	**-**	**-**	1.7	-	-
Joint ventures	7e	**3.5**	**(0.6)**	**-**	5.1	-	-
Tax effect		**(1.5)**	**-**	**-**	-	-	-
Total	5a	**(14.5)**	**(6.5)**	**(2.5)**	74.8	0.1	(0.8)

5 Earnings per share (continued)

5c Headline earnings per share

	Year to 30 December 2016		Year to 30 December 2015	
	Basic	**Diluted**	Basic	Diluted
Profit (£m)				
(Loss)/profit for the year	**(4.4)**	**(4.4)**	100.0	100.0
Revaluation loss/(gain) on investment properties (including tax)	**14.5**	**14.5**	(74.8)	(74.8)
Loss/(profit) on disposal of properties (net of tax)	**6.5**	**6.5**	(2.5)	(2.5)
Income from German B Note	**(3.9)**	**(3.9)**	-	-
Headline earnings	**12.7**	**12.7**	22.7	22.7
Weighted average number of shares (m)				
Ordinary shares in issue	**701.0**	**701.0**	700.8	700.8
Own shares held	**(0.6)**	**(0.6)**	(1.0)	(1.0)
Dilutive contingently issuable shares and share options	**-**	**10.0**	-	12.6
	700.4	**710.4**	699.8	712.4
Headline Earnings per share (pence)	**1.8p**	**1.8p**	3.2p	3.2p

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 2014	256.7	534.1	**790.8**
Capital expenditure (excluding capital contributions)	3.6	7.6	**11.2**
Valuation surplus	32.4	35.6	**68.0**
At 30 December 2015	**292.7**	**577.3**	**870.0**
Acquired (The Marlowes, Hemel Hempstead)	56.6	-	**56.6**
Disposals (The Mall, Camberley)	-	(93.9)	**(93.9)**
Capital expenditure (excluding capital contributions)	13.5	5.9	**19.4**
Valuation deficit[1]	(4.9)	(8.7)	**(13.6)**
At 30 December 2016	**357.9**	**480.6**	**838.5**

[1] £14.2 million per Note 2a includes letting fee amortisation adjustment of £0.6 million.

6b Property assets summary

	30 December 2016		30 December 2015	
	100% £m	**Group share £m**	100% £m	Group share £m
Wholly-owned				
Investment properties at fair value	**794.1**	**794.1**	822.7	822.7
Head leases treated as finance leases on investment properties	**61.3**	**61.3**	65.4	65.4
Unamortised tenant incentives on investment properties	**(16.9)**	**(16.9)**	(18.1)	(18.1)
IFRS Property Value	**838.5**	**838.5**	870.0	870.0
Associates				
Investment properties at fair value	**154.1**	**30.8**	164.4	32.9
Unamortised tenant incentives on investment properties	**(4.1)**	**(0.8)**	(4.1)	(0.8)
IFRS Property Value	**150.0**	**30.0**	160.3	32.1
Joint Ventures[1]				
Investment properties at fair value	**-**	**-**	27.9	14.0
Unamortised tenant incentives on investment properties	**-**	**-**	(0.7)	(0.4)
IFRS Property Value	**-**	**-**	27.2	13.6
Total at property valuation	**948.2**	**824.9**	1,015.0	869.6
Total IFRS Property Value	**988.5**	**868.5**	1,057.5	915.7

[1] Buttermarket Ipswich Limited has been excluded from this note following its reclassification as held for sale on 30 December 2016.

6 Investment properties (continued)

6c Valuations

External valuations at 30 December 2016 were carried out on all of the gross property assets detailed in the table above. The Group's share of the total investment properties at fair value was £824.9 million of £948.2 million (2015: £869.6 million of £1,015.0 million).

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

7 Investment in associates and joint ventures

7a Share of results

	Note	**Year to 30 December 2016 £m**	Year to 30 December 2015 £m
Share of results of associates	7d	**(1.5)**	2.5
Share of results of joint ventures	7e	**1.8**	5.3
		0.3	7.8

7b Investment in associates

	Note	**30 December 2016 £m**	30 December 2015 £m
At the start of the year		**15.9**	13.6
Share of results of associates	7d	**(1.5)**	2.5
Dividends and capital distributions received		**(0.5)**	(0.2)
At the end of the year	7d	**13.9**	15.9

The Group's only significant associate during 2016 was the Kingfisher Limited Partnership in which the Group is in partnership with funds under the management of Oaktree Capital Management LP. The Kingfisher Limited Partnership owns The Kingfisher Shopping Centre in Redditch. The Group has a 20% share and exercises significant influence through its representation on the General Partner board and through acting as the property and asset manager.

7c Investment in joint ventures

	Note	**30 December 2016 £m**	30 December 2015 £m
At the start of the year		**11.7**	-
Investment in joint ventures		**-**	6.4
Share of results of joint ventures	7e	**1.8**	5.3
Reclassification of Buttermarket Centre, Ipswich as held for sale		**(13.5)**	-
At the end of the year	7e	**-**	11.7

The Group's only significant joint venture during 2016 was the Buttermarket Centre, Ipswich. The joint venture's property investment activity is carried out in a separate limited company, Buttermarket Ipswich Limited. The Buttermarket Centre was acquired on 3 March 2015 in a 50:50 joint venture with Drum Property Group.

The Group has assessed its ability to direct the relevant activities of Buttermarket Ipswich Limited and impact Group returns and concluded that the company qualifies as a joint venture as decisions regarding it require the unanimous consent of both equity holders. This assessment included not only rights within the joint venture agreements, but also any rights within the other contractual arrangements between the Group and Buttermarket Ipswich Limited.

Reclassification as held for sale

Buttermarket Ipswich Limited was reclassified as held for sale on 30 December 2016 as Management, and its joint venture partner, were committed to a plan to sell and considered a disposal to be highly probable within the following 12 months. On reclassification Management assessed the fair value of its share of the investment to be £13.9 million with the associated costs to sell the entity expected to be £0.4 million. Reflecting these amounts in the 30 December 2016 balance sheet resulted in an impairment charge of £0.6 million within the Group's share of Joint Venture results. This is shown within the Group's Other UK Shopping Centres operating segment (see Note 2a).

On 17 February 2017 the group and its joint venture partner completed the disposal of Buttermarket Ipswich Limited to National Grid Pension Fund. The Group's share of the initial proceeds was £9.8 million with Management estimating the value of deferred contingent consideration to be a further £3.7 million. The Group's share of the disposal costs is expected to be £0.4 million.

7 Investment in associates and joint ventures (continued)

7d Analysis of investment in associates

	Other UK Shopping Centres Kingfisher Redditch	**Year to 30 December 2016 Total**	Year to 30 December 2015 Total
	£m	**£m**	£m
Income statement (100%)			
Revenue – gross rent	11.5	**11.5**	11.9
Property and management expenses	(2.0)	**(2.0)**	(1.9)
Void costs	(1.0)	**(1.0)**	(1.1)
Net rent	8.5	**8.5**	8.9
Net interest payable	(3.8)	**(3.8)**	(4.1)
Contribution	4.7	**4.7**	4.8
Revaluation of investment properties	(11.8)	**(11.8)**	8.6
Fair value of interest rate swaps	(0.2)	**(0.2)**	0.2
Profit before tax	(7.3)	**(7.3)**	13.6
Tax	(0.7)	**(0.7)**	(1.0)
Profit after tax	(8.0)	**(8.0)**	12.6
Balance sheet (100%)			
Investment properties	150.0	**150.0**	160.3
Other assets	10.4	**10.4**	12.2
Current liabilities	(6.5)	**(6.5)**	(7.6)
Non-current liabilities	(84.0)	**(84.0)**	(85.1)
Net assets (100%)	69.9	**69.9**	79.8
Income statement (Group share)			
Revenue – gross rent	2.3	**2.3**	2.4
Property and management expenses	(0.4)	**(0.4)**	(0.4)
Void costs	(0.2)	**(0.2)**	(0.2)
Net rent	1.7	**1.7**	1.8
Net interest payable	(0.8)	**(0.8)**	(0.8)
Contribution	0.9	**0.9**	1.0
Revaluation of investment properties	(2.3)	**(2.3)**	1.7
Fair value of interest rate swaps	-	**-**	-
Profit before tax	(1.4)	**(1.4)**	2.7
Tax	(0.1)	**(0.1)**	(0.2)
Profit after tax	(1.5)	**(1.5)**	2.5
Balance sheet (Group share)			
Investment properties	30.0	**30.0**	32.1
Other assets	2.1	**2.1**	2.4
Current liabilities	(1.4)	**(1.4)**	(1.5)
Non-current liabilities	(16.8)	**(16.8)**	(17.1)
Net assets (Group share)	13.9	**13.9**	15.9

7 Investment in associates and joint ventures (continued)

7e Analysis of investment in joint ventures

	Other UK Shopping Centres – Buttermarket Ipswich [1]	**Year to 30 December 2016 Total**	Year to 30 December 2015 Total
	£m	**£m**	£m
Income statement (100%)			
Revenue – gross rent	2.2	**2.2**	1.5
Property and management expenses	(0.7)	**(0.7)**	(0.5)
Void costs	(0.6)	**(0.6)**	(0.6)
Net rent	0.9	**0.9**	0.4
Net interest payable	(0.3)	**(0.3)**	-
Contribution	0.6	**0.6**	0.4
Revaluation of investment properties	7.2	**7.2**	10.1
Deferred tax on revaluation	(2.9)	**(2.9)**	-
Impairment	(1.2)	**(1.2)**	-
Profit before tax	3.7	**3.7**	10.5
Tax	-	**-**	-
Profit after tax	3.7	**3.7**	10.5
Balance sheet (100%)			
Investment properties	**-**	**-**	27.2
Other assets	**-**	**-**	1.7
Current liabilities	**-**	**-**	(1.8)
Non-current liabilities	**-**	**-**	(4.0)
Net assets (100%)	**-**	**-**	23.1
Income statement (Group share)			
Revenue – gross rent	1.1	**1.1**	0.7
Property and management expenses	(0.3)	**(0.3)**	(0.2)
Void costs	(0.3)	**(0.3)**	(0.3)
Net rent	0.5	**0.5**	0.2
Net interest payable	(0.1)	**(0.1)**	-
Contribution	0.4	**0.4**	0.2
Revaluation of investment properties	3.5	**3.5**	5.1
Deferred tax on revaluation	(1.5)	**(1.5)**	-
Impairment	(0.6)	**(0.6)**	-
Profit before tax	1.8	**1.8**	5.3
Tax	-	**-**	-
Profit after tax	1.8	**1.8**	5.3
Balance sheet (Group share)			
Investment properties	**-**	**-**	13.6
Other assets	**-**	**-**	0.9
Current liabilities	**-**	**-**	(0.8)
Non-current liabilities	**-**	**-**	(2.0)
Net assets (Group share)	**-**	**-**	11.7

[1] The Group's investment in Buttermarket Ipswich Limited was reclassified as held for sale at 30 December 2016. On reclassification Management assessed the fair value of its share of the investment to be £13.9 million with the associated costs to sell the entity expected to be £0.4 million and these amounts are shown on the balance sheet at year end (see Note 7c for further details).

8 Cash and cash equivalents

	30 December 2016	30 December 2015
	£m	£m
Cash at bank and in hand	**45.8**	41.9
Security deposits held in rent accounts	**0.7**	0.6
Other restricted balances	**2.6**	7.4
	49.1	49.9

Other restricted balances include amounts subject to a charge against various borrowings and may therefore not be available for general use by the Group. All of the above amounts at 30 December 2016 were held in Sterling other than £0.3 million which was held in Euros (30 December 2015: £0.3 million).

9 Bank loans

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

Borrowings at amortised cost	**30 December 2016 £m**	30 December 2015 £m
Secured		
Fixed and swapped bank loans	**233.3**	233.3
Variable rate bank loans	**128.2**	146.7
Total borrowings before costs	**361.5**	380.0
Unamortised issue costs	**(0.7)**	(5.1)
Total borrowings after costs	**360.8**	374.9
Analysis of total borrowings after costs		
Current	**334.6**	-
Non-current	**26.2**	374.9
Total borrowings after costs	**360.8**	374.9

Mall assets debt facility

At 30 December 2016 the £334.6 million loan on the five Mall assets comprised a fixed rate tranche of £233.3 million with interest fixed at 1.86% plus applicable margin and a floating rate tranche based on 3 month LIBOR of £101.3 million. The latter tranche was hedged using interest rate caps with a weighted average strike rate of 2.65%. The loan was fully drawn down at 30 December 2016 and 30 December 2015.

Irrevocable notice to repay the existing debt was served on 28 December 2016 and hence the total value of the debt, along with redemption costs of £7.6 million on the fixed rate tranche, are shown as current liabilities at 30 December 2016. The debt was repaid on 4 January 2017 and replaced with three new facilities totalling £372.5 million (of which £362.5 million was drawn on refinancing) as follows:

- a £165 million 10 year loan with Teachers Insurance and Annuity Association of America with a one year extension option;
- a £107.5 million seven year loan with Wells Fargo Bank International Unlimited Company; and
- a £100 million bank facility of five years with two one year extension options with The Royal Bank of Scotland plc. £90 million of this facility has been drawn down with a further £10 million available to fund capex.

The £107.5 million facility is secured on The Mall, Luton, while the other two facilities are secured on the four assets at Blackburn, Maidstone, Walthamstow and Wood Green. The weighted average maturity of the new facilities is 7.8 years, rising to 8.8 years if the extension options are assumed to be exercised. Interest on the new facilities has been fixed resulting in an overall blended rate of 3.27%.

The Hemel Hempstead debt facility

The £26.9 million Hemel Hempstead loan comprises two fixed rate tranches with interest fixed at a weighted average of 1.32% plus applicable margin. The loan was fully drawn down at 30 December 2016. The loans, which were drawn in February and March 2016 are for a five year term but have two one year extension options available at the end of each of the first two years, the first of which was agreed subsequent to 30 December 2016.

Group revolving credit facility

In November 2015 the Group completed a new core revolving credit facility (RCF) of £30 million to 30 May 2019. Interest on the facility is charged at a margin of 3.0% per annum above LIBOR. A non-utilisation fee of 1.5% is payable. The facility was undrawn at 30 December 2016 and 30 December 2015.

10 Reconciliation of net cash from operations

	Note	**Year to 30 December 2016 £m**	Year to 30 December 2015 £m
(Loss)/profit for the year		**(4.4)**	100.0
Adjusted for:			
Profit on disposal of associates and joint ventures		**-**	(2.4)
Income tax credit	4a	**(0.1)**	-
Finance income		**(0.4)**	(0.7)
Finance expense		**33.0**	19.9
Loss/(profit) on revaluation of Wholly-owned properties		**14.2**	(68.0)
Share of profit in associates and joint ventures	7a	**(0.3)**	(7.8)
Depreciation of other fixed assets		**0.1**	0.2
Other gains and losses		**1.8**	(0.1)
Increase in receivables		**(0.1)**	(0.8)
Decrease in payables		**(3.2)**	(11.0)
Non-cash movement relating to share-based payments		**0.5**	0.6
Net cash from operations		**41.1**	29.9

11 Net assets per share

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

	30 December 2016			30 December 2015
	Net assets £m	**Number of shares (m)**	**Net assets per share (£)**	Net assets per share (£)
Basic net assets	**477.6**	**702.3**	**0.68**	0.72
Own shares held		**(0.6)**		
Dilutive contingently issuable shares and share options		**10.0**		
Fair value of fixed rate loans (net of tax)	**(2.4)**			
EPRA triple net assets	**475.2**	**711.7**	**0.67**	0.70
Exclude fair value of fixed rate loans (net of tax)	**2.4**			
Exclude fair value of see-through interest rate derivatives	**2.5**			
Exclude deferred tax on unrealised gains and capital allowances	**1.4**			
EPRA net assets	**481.5**	**711.7**	**0.68**	0.71

12 Return on equity

	30 December 2016 £m	30 December 2015 £m
Total comprehensive income attributable to equity shareholders	**(4.4)**	98.4
Opening equity shareholders' funds plus time weighted additions	**503.4**	419.0
Return on equity	**(0.9)%**	23.5%

13 Discontinued Operations

German joint venture

On 10 February 2015, the Group completed the sale of its 50:50 German joint venture with a real estate fund managed by Ares Management, LP to clients and funds under management of Rockspring Property Investment Managers. Under the terms of the transaction the Group will retain for approximately five years a 5.1% minority stake in each of the five German portfolios. The total profit on disposal was £2.4 million including £1.6 million of realised foreign currency gain reclassified from reserves. During the year, discontinued operations contributed £nil (2015: £nil) in respect of the Group’s net operating cash flows, contributed £nil (2015: £42.3 million) in respect of investing activities (disposal proceeds) and received £nil (2015 £nil) in respect of financing activities.

On completion, and included within the proceeds, the Group entered into a long-term loan payable of €3.5 million repayable after five years. After completion a distribution of €1.5 million was made in respect of the retained minority stakes, this was used to reduce the outstanding amount of the loan to €2.0 million.

The carrying value of the retained minority stake, treated as a fixed asset investment, was €2.2 million at 30 December 2016 or £1.9 million at 30 December 2016 exchange rate (2015: €2.2 million or £1.6 million at 30 December 2015 exchange rate). The carrying value of the loan payable at 30 December 2016 was a liability of €2.1 million or £1.8 million at 30 December 2016 exchange rate (2015: €2.0 million or £1.5 million at 30 December 2015 exchange rate).

14 Dividends

	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Final dividend per share paid for year ended 30 December 2014 of 0.60p	-	4.2
Interim dividend per share paid for year ended 30 December 2015 of 1.50p	-	10.5
Final dividend per share paid for year ended 30 December 2015 of 1.62p	11.3	-
Interim dividend per share paid for year ended 30 December 2016 of 1.62p	11.4	-
Amounts recognised as distributions to equity holders in the year	**22.7**	**14.7**
Proposed final dividend per share for year ended 30 December 2016 of 1.77p[1]	**12.4**	-

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

15 Events after the balance sheet date

Refinancing of debt on the five Mall assets

Refinancing of the debt on the five wholly-owned Mall properties completed on 4 January 2017. See Note 9 for further information.

Disposal of Buttermarket Ipswich Limited

The Group disposed of its interest in the Buttermarket Ipswich Limited joint venture on 17 February 2017, see Note 7c for further details.

Ilford

On 3 March 2017 the Group exchanged the acquisition of The Exchange Centre, Ilford from a Meyer Bergman fund for £78 million, reflecting a Net Initial Yield of 6.70%. The acquisition, which comprised the purchase of a holding company that owns the property, completed on 8 March 2017. The acquisition as funded from the Group's existing cash resources as well as through a new seven year debt facility of £39 million, secured on the asset, with DekaBank Deutsche Girozentrale.

Covenant information *(Unaudited)*
Wholly-owned assets

	Borrowings[1] **£m**	Covenant	30 December 2016
Core revolving credit facility (100%)			
Net Assets	-	No less than £350m	£477.6m
Gearing		No greater than 1.5:1	0.74:1
Historic interest cover		No less than 200%	374%
4 Mall assets (100%)			
Loan to value	255.0	No greater than 70%	49%
Historic interest cover		No less than 175%	377%
A projected interest cover test also applies at a covenant level of no less than 150%			
Luton (100%)			
Loan to value	107.5	No greater than 70%	51%
Debt yield		No less than 8%	10.4%
Historic interest cover		No less than 250%	333%
A projected interest cover test also applies at a covenant level of no less than 200%			
Hemel Hempstead (100%)			
Loan to value	26.9	No greater than 60%	49%[2]
Historic interest cover		No less than 200%	460%
A projected interest cover test also applies at a covenant level of no less than 200%			
Ilford (100%)			
Loan to value	39.0	No greater than 70%	50%[3]
Historic interest cover		No less than 225%	n/a
A projected interest cover test also applies at a covenant level of no less than 225%			

[1] Adjusted for refinancing of the Mall assets completed on 4 January 2017.
[2] Calculated as specified in loan agreement based on 30 December 2016 valuation. Actual bank covenant based on bank valuation updated annually.
[3] At draw down on 8 March 2017.

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.

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

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

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

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

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

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

Debt is borrowings, excluding unamortised issue costs.

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

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

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

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

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

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

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

IPD is Investment Property Databank Limited, a company that produces an independent benchmark of property returns.

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 fair value of properties (including adjustments for tenant incentives and head leases).

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

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

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

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

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

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

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

Occupancy cost ratio 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 per sq ft is calculated as Contracted rent, excluding car park income and ancillary income, expressed as a percentage of total lettable space.

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.

See-through balance sheet is the pro forma proportionately consolidated balance sheet of the Group and its associates and joint ventures.

See-through income statement is the pro forma proportionately consolidated income statement of the Group and its associates and joint ventures.

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 SAYE schemes which are spread over the performance period.

Wholly-owned assets portfolio information *(Unaudited)*

At 30 December 2016 (excluding The Exchange Centre, Ilford – acquired on 8 March 2017)

Physical data	
Number of properties	6
Number of lettable units	686
Size (sq feet – million)	3,265
Valuation data	
Properties at independent valuation (£m)	794.1
Adjustments for head leases and tenant incentives (£m)	44.4
Properties as shown in the financial statements (£m)	**838.5**
Revaluation loss in the year (£m)	14.2
Initial yield	6.0%
Equivalent yield	6.2%
Reversion	16.9%
Loan to value ratio	45.5%[1]
Net debt to value ratio	43.1%[1]
Lease length (years)	
Weighted average lease length to break	6.7
Weighted average lease length to expiry	7.9
Passing rent (£m) of leases expiring in:	
2017	9.3
2018	2.6
2019-2021	13.3
ERV (£m) of leases expiring in:	
2017	10.3
2018	3.1
2019-2021	14.2
Passing rent (£m) subject to review in:	
2017	5.3
2018	2.9
2019-2021	7.3
ERV (£m) of passing rent subject to review in:	
2017	5.2
2018	2.9
2019-2021	9.0
Rental Data	
Contracted rent at year end (£m)	57.5
Passing rent at year end (£m)	53.0
ERV at year end (£m per annum)	61.9
Occupancy	95.4%

[1] As at 30 December 2016, not adjusted for the impact of refinancing of Mall assets completed on 4 January 2017.

EPRA performance measures *(Unaudited)*

As at 30 December 2016

	2016	2015
EPRA earnings (£m)[1]	**26.2**	23.6
EPRA earnings per share (diluted)[1]	**3.7p**	3.3p
EPRA net assets (£m)	**481.5**	503.1
EPRA net assets per share	**68p**	71p
EPRA triple net assets (£m)	**475.2**	498.6
EPRA triple net assets per share	**67p**	70p
EPRA vacancy rate[2]	**3.7%**	2.8%

[1] Continuing and discontinued operations.
[2] Excludes Buttermarket Centre, Ipswich.

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

	2016[1] **£m**	2015[1] £m
Investment property – wholly-owned	**794.1**	822.7
Investment property – share of joint ventures and associates	**30.8**	32.9
Less developments	**-**	-
Completed property portfolio	**824.9**	855.6
Allowance for capital costs	**15.0**	23.8
Allowance for estimated purchasers' costs	**56.3**	49.5
Grossed up completed property portfolio valuation	**896.2**	928.9
Annualised cash passing rental income	**58.8**	60.3
Property outgoings	**(11.4)**	(10.8)
Annualised net rents	**47.4**	49.5
Add: notional rent expiration of rent free periods or other lease incentives	**4.4**	3.1
Topped up annualised rent	**51.8**	52.6
EPRA net initial yield	**5.3%**	5.3%
EPRA topped-up net initial yield	**5.8%**	5.7%

[1] Excludes Buttermarket Centre, Ipswich.

EPRA Cost ratios

	2016 **£m**	2015 £m
Cost of sales	**32.5**	29.1
Administrative costs	**10.9**	10.8
Service charge income	**(14.0)**	(11.9)
Management fees	**(1.0)**	(1.0)
Snozone (indoor ski operation) costs	**(8.8)**	(8.9)
Share of joint venture & associate expenses	**1.2**	1.1
EPRA costs (including direct vacancy costs)	**20.8**	19.2
Direct vacancy costs	**(4.8)**	(4.0)
EPRA costs (excluding direct vacancy costs)	**16.0**	15.2
Gross rental income	**62.0**	57.5
Less ground rent costs	**(3.1)**	(3.1)
Share of joint venture & associate gross rental income less ground rent costs	**3.4**	3.1
Gross rental income	**62.3**	57.5
EPRA cost ratio (including direct vacancy costs)	**33.4%**	33.4%
EPRA cost ratio (excluding vacancy costs)	**25.8%**	26.4%