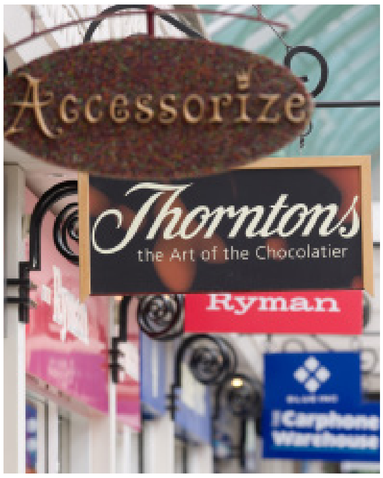
Capital& Regional



Annual Report and Accounts
for the year ended 30 December 2014

Stock Code: CAL

Contents

Welcome to Capital & Regional

About Us

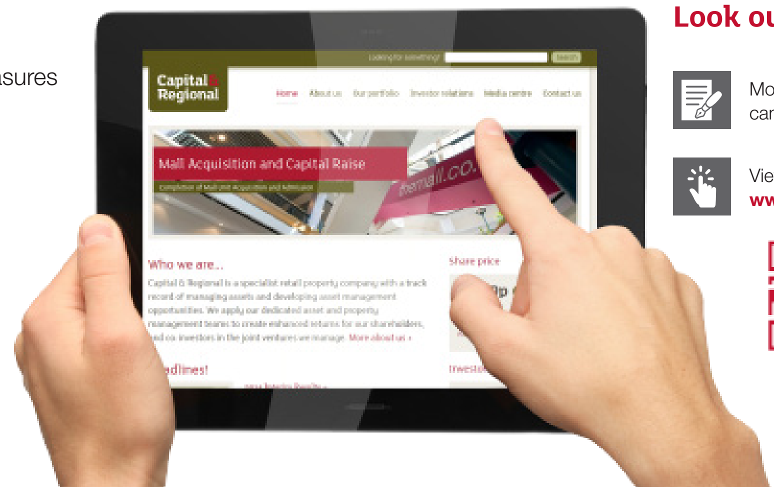
Capital & Regional is a UK focused specialist property REIT with a strong track record of delivering value enhancing retail and leisure asset management opportunities across a c.£1 billion portfolio of in-town dominant community shopping centres.

Capital & Regional owns six Mall shopping centres in Blackburn, Camberley, Luton, Maidstone, Walthamstow and Wood Green. It also has a 20% joint venture interest in the Kingfisher Centre in Redditch and a 50% joint venture in the Buttermarket Centre, Ipswich. Capital & Regional manages these assets, which comprise over 900 retail units and attract c.1.7 million shopping visits each week, through its in-house expert property and asset management platform.

Our Aim

To be the leading dominant community shopping centre REIT offering investors:

- Exposure to a high quality portfolio of strong assets, dominant in their immediate catchment
- A highly attractive dividend yield
- Potential to generate significant income and NAV growth through identified asset management initiatives
- Experienced and expert team with a proven track record of creative asset management via a scalable platform
- Security through competitively priced debt funding
- Benefit of C&R driving sector consolidation opportunities



Look out for these icons:

More information on a particular topic can be found within the report.

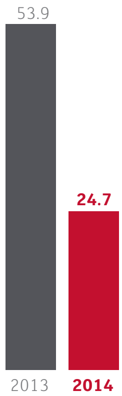
View our corporate website at: **www.capreg.com**

Highlights

NAV per share
60p
2013: 54p

EPRA NAV per share
59p
2013: 56p

Total shareholder return
24.7%
2013: 53.9%



Operating Profit[4]
£19.3m
2013: £13.0m

Strategic
- Acquired controlling stake in The Mall ahead of increase in property valuations in H2 2014
- Buy-out of remaining Mall minorities completed in December 2014 and fund restructured to deliver at least £1.5 million of annualised cost savings
- Successful disposal of €350 million German portfolio completed in February 2015 at a small premium to 30 December 2014 NAV. Group realised £42.1 million for 50% share
- REIT conversion completed and effective from 31 December 2014

Financial
- 11% increase in NAV per share to 60p (2013: 54p) despite doubling of shareholder base
- Refinancing of £380 million of The Mall debt, cost of debt at year end of 3.45%
- Proforma see-through net debt[1, 2] of 45% (2013: 54%)
- Profit before tax of £67.2 million (2013: £7.3 million)

Operational
- Passing rent of £64.5 million increased on December 2013 (+0.6%) and June 2014 (+2.7%)
- Strong occupancy of 96.1% at 30 December 2014 (2013: 95.0%)
- Footfall up by 0.9%, outperforming the national benchmark by 1.8%
- Strong progress in delivery of enlarged £65 million multi-year capex plan
  - Walthamstow refurbishment due to complete April 2015
  - £4.5 million project to deliver new Walthamstow units for TK Maxx and Sports Direct on track for completion in Q4 2015
  - Agreed leases for Wood Green hotel and gym extension utilising substantially vacant office space
- Successful reconfiguration of Waterside Lincoln facilitating sale in November 2014 with profit on disposal of £4.7 million and 20% IRR

Future priorities
- Delivery of asset management and development programme across existing portfolio
- Acquisitions will focus on opportunities which boost income and support a progressive approach to dividend growth such as newly acquired 50:50 JV of Buttermarket Centre, Ipswich

Dividend
- 46% increase in total dividend to 0.95p per share for 2014 (2013: 0.65p)
- Commencement of REIT level dividend from 2015 Interim of at least 90% of Mall Operating Profit
  - To be paid approximately 50% as interim and 50% as final
  - Based on 2014 Proforma Mall Operating Profit[5] we anticipate paying a 2015 total dividend of at least 2.9p per share

	2014	2013
Total shareholder return[3]	**24.7%**	53.9%
Operating Profit[4]	**£19.3m**	£13.0m
Profit before tax	**£67.2m**	£7.3m
NAV per share	**60p**	54p
EPRA NAV per share	**59p**	56p
Proforma Group net debt/(net cash)[1]	**£336.6m**	£(19.5)m
Proforma see-through net debt[1, 2]	**45%**	54%

1 2014 adjusted for £42.1 million of German joint venture net proceeds received in February 2015 and £8.9 million of payments due in respect of Mall performance fee and income due to former unit holders. 2013 adjusted for £8.4 million Hemel Hempstead net proceeds received in February 2014.
2 See-through net debt divided by property valuation.
3 Change in share price plus dividends paid, weighted average to reflect 351.1 million new shares issued on 14 July 2014.
4 As defined in Note 1 to the financial statements.
5 As set out in the Financial Review.

Capital& Regional

Strategic Report

Chairman's Statement

UK Shopping Centre valuations have increased by 9.3%

Find out more about **Responsible Business** on pages 32 to 37

Strategy

Capital & Regional has made significant progress in the delivery of its strategic objectives this year. The acquisition of a controlling stake in The Mall and the subsequent successful tender for units held by minorities has been transformational for the Group. Conversion to a REIT at the end of 2014 which was followed by the sale of its German portfolio, completed shortly after the year end, enables the Group to focus all its resources on its stated aim to become the UK's leading community shopping centre REIT.

The Group is now well positioned to achieve this objective based on its exposure to a high quality portfolio of strong assets, dominant in their immediate catchment, which offer the potential to generate significant income and NAV growth based on a programme of exciting asset management initiatives across the portfolio.

Performance overview

The timing of the Mall acquisition means that both existing shareholders as well as those who participated in the £165 million Firm Placing and Placing and Open Offer have been able to benefit from the upswing in investment markets which has gathered momentum as the year has progressed. The 62.56% stake was acquired for a consideration of £212 million at a discount of 5% to property values as at 30 June 2014.

UK Shopping Centre valuations have increased by 9.3%, reflecting a mix of yield compression and growth in valued income. Much of this improvement has taken place in the second half of the year as significant transactional activity has highlighted the attractions of dominant community shopping centre assets, in particular the strong income characteristics. It is the resilience of these assets and their ability to respond to changing consumer behaviour and a market increasingly dominated by the internet, retailers' requirements and Click & Collect that underpins this.

It is particularly pleasing therefore to report an increase in Net Asset Value per share of 11% to 60p, an increase which fully takes into account a doubling of the number of shares in issue.

Pre-tax profit was £67.2 million compared to the £7.3 million reported in 2013.

Dividend

For 2014, the Board is proposing a final dividend of 0.60p per share taking the full-year dividend to 0.95p per share, representing an increase of 46% compared to last year.

At the time of the capital raise in June 2014, the Board committed to deliver on the basis of the issue price of 47p, a dividend yield of at least 5% for the year ending 2015, and at least 6% following acquisition of the minorities and the restructuring of the Mall Fund. I am pleased to report that all minorities were taken out by the start of December and the fund has been successfully restructured. Following conversion to a REIT, the Board's policy is to distribute at least 90% of Mall Operating Profit, allocated approximately equally between interim and final dividend payments. Based on 2014 Proforma Mall Operating Profit we anticipate this will result in a full year dividend payment for 2015 of at least 2.9p per share.

Our people

This year has been exceptionally challenging for our management teams. Not only have they had to handle transactions of particular complexity at a corporate level but have had to retain their focus on delivering operational excellence to our retail and leisure operators whilst rolling out an ambitious asset management programme across the portfolio. Completion of the Mall transaction now enables the team to focus all its energies on successful delivery of this plan. As I have mentioned in the past, the management platform is key to delivery of our growth ambitions and I would like to thank all our staff for their role in contributing to this year's progress.

Responsible business

The value we attach to our people is reflected in our continuing recognition as an "Investor in People". A further successful assessment review was completed during the year. The assessment highlighted high levels of engagement which have again been critical in improving the way in which we support our stakeholders whether they are retailers, communities or employees.

An eighth consecutive RoSPA Gold Award demonstrates our commitment to raising health and occupational safety standards across the board.

A 10.2% reduction in electricity and gas consumption not only reduces the Group's environmental impact but contributes towards improving efficiency which directly benefits our retailers and leisure operators. Further details are set out in the Responsible Business review in the Strategic Report.

The Board
The Group has further strengthened its corporate governance during the year with the appointment of an additional independent non-executive director, in line with the commitment made at the time of the Capital Raise. I am delighted to welcome Ian Krieger who joined the Board on 1 December 2014. Ian brings a wealth of experience gained during a 40 year career first with Arthur Andersen and then Deloitte. Ian has significant boardroom experience in the real estate and retail sectors and has worked with a wide variety of companies throughout his career. Ian has joined both the Audit and Remuneration Committees.

Philip Newton has indicated his intention to step down from the Board at the AGM in 2016, by which time he will have served nine years as a non-executive director. Philip will, until then, continue to be the Senior Independent Director and Chairman of the Remuneration Committee.

John Clare CBE
Chairman

Pre-tax profit

£67.2m

2013: £7.3m

Net asset value per share

60p

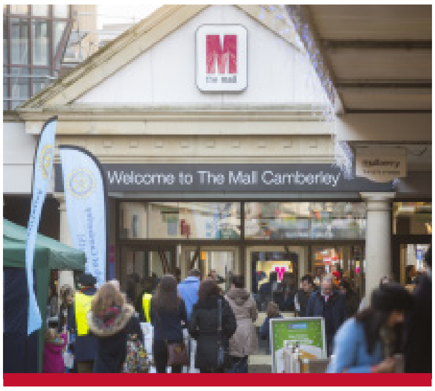
2013: 54p

At a Glance

The Mall Portfolio – The Group now owns 100% of the Mall Portfolio

Blackburn

- Leasehold covered shopping centre on three floors
- 600,000 sq ft lettable space
- 126 retail units
- Principal occupiers – Primark, Debenhams, H&M, Next, Boots, Argos



Camberley

- Part leasehold covered shopping centre on one floor
- 390,000 sq ft lettable space
- 157 retail units
- Principal occupiers – House of Fraser, Topshop, Boots, Primark, Sainsbury's, Argos, River Island

Luton

- Leasehold covered shopping centre on two floors, offices extending to over 65,000 sq ft
- 900,000 sq ft lettable space
- 159 retail units
- Principal occupiers – Debenhams, Boots, Primark, H&M, Next, Topshop, M&S, Wilko, TK Maxx

Maidstone

- Freehold covered shopping centre on three floors with offices extending to 40,000 sq ft
- 500,000 sq ft lettable space
- 101 retail units
- Principal occupiers – Boots, New Look, Wilko, Next, Sports Direct

Walthamstow

- Leasehold covered shopping centre on two floors
- 260,000 sq ft lettable space
- 65 retail units
- Principal occupiers – Asda, Boots, New Look, River Island, Topshop

Wood Green

- Freehold, partially open shopping centre on two floors with nearly 40,000 sq ft of offices
- 540,000 sq ft lettable space
- 103 retail units
- Principal occupiers – Primark, Wilko, H&M, Boots, Argos, TK Maxx, WH Smith, New Look, Next

Other Assets

Kingfisher Shopping Centre, Redditch

- C&R owns 20% in JV with Oaktree Capital Management
- Freehold covered shopping centre on two principal trading levels
- 900,000 sq ft lettable space
- 174 retail units
- Principal occupiers – Debenhams, M&S, Primark, Next, Arcadia, TK Maxx

Buttermarket Centre, Ipswich

- Acquired in a 50:50 JV with Drum Property Group in March 2015
- Freehold covered shopping centre over two core trading levels
- 235,000 sq ft lettable space
- 23 retail units
- Principal occupiers – Boots, New Look, TK Maxx, Laura Ashley

Snozone

- 100% subsidiary
- Largest indoor ski slope operator in the UK
- Operating at Milton Keynes and Castleford
- In existence since 2000 and has taught over 1.5 million people to ski or snowboard

UK Shopping Centres

Scale and Strength[1]

- Market value of £895 million (6.27% NIY)
- Over 4m sq ft lettable floor space
- 885 retail units
- 96.1% occupancy
- Over 10,000 car parking spaces
- 83.3m visitors in 2014

[1] All data at 31 December 2014 excluding Buttermarket, Ipswich

Our Marketplace

UK retail consumer spending

£334bn

representing 60% of GDP[1]

£5.7bn

of shopping centre transactions in 2014

70%

of our occupiers now offer Click & Collect

The UK retail market is a growing and evolving industry, employing 1 in 10 of the workforce (3 million) with consumer spending at £334 billion, representing 60% of GDP.[1] Retail sales increased 88% between 1995 and 2014, and are forecast to grow a further 20% by 2019,[1] largely due to population growth, higher employment and an improving economy. Over half of all retail expenditure is made in the town centre where public policy continues to support a town centre first agenda.

The positive underlying UK economic fundamentals have also helped to drive a robust retail property investment market. There were approximately £5.7 billion of shopping centre transactions in 2014, 25% higher than 2013 and the highest annual total since 2006.[2]

Shopping habits continue to change in a multichannel retail environment. In 2014 Black Friday was firmly established but the failure of City Link alongside profit warnings by pure play online operators point to the fragility of the home delivery model. The popularity of Click & Collect has increased, for example it now forms 56% of John Lewis' online sales. Across the C&R portfolio, 70% of our occupiers now offer this service (up from 58% in 2013). So whilst, according to CBRE research, over 50% of consumers from all age groups shop online, they do so as part of a multichannel approach and the importance of the physical store remains clear.

C&R has been at the forefront of embracing and developing technical innovations such as Wi-Fi, websites, apps and social media to benefit and complement the physical retail environment. Whilst Beacons, Augmented Reality and Wearables push their way into the psyche of the UK consumer, what's clear is that a trip to the shops engaging all physical senses provides a good antidote to what otherwise could be everyday digital overload. The need for the physical was played out this Christmas with increased sales of books and records reported by leading retailers.

To be truly relevant within a community, our centres are increasingly stretching beyond retail and car parks, leisure, office, hotel, gym, and latterly residential are all part of the offer that we continue to develop. With over 20% of our income now coming from uses beyond retail, the relevance and robustness of our income stream, in the context of the town centre, continues to strengthen.

All the evidence points to the importance of our schemes as retail led hubs, fulfilling social and experiential needs, as well as the more traditional, but equally important, requirements of convenience, security and value.

[1]Deloitte 'Changing Face of Retail' October 2014.
[2]Strutt & Parker.

Launch of CollectPlus

The Mall Camberley was the first community shopping centre in the UK to receive the CollectPlus service allowing customers to collect and return their parcels from over 260 brands.

As well as driving customers to our Mall the service helps us to understand which brands our local shoppers are buying from, offering useful intelligence for future leasing strategy. Customer reaction to the service has been very positive.

"Brilliant service, no more missing a parcel and so easy to collect, I am very pleased with this service thank you."

"The location is very handy. I came just with the intention to collect a parcel but I will stay longer to do more shopping."

CollectPlus will be rolled out to the remainder of The Mall portfolio in Q2 2015.

Love Sundays

The Mall's Love Sundays campaign was launched in March 2014 with the objective of increasing Sunday footfall and average spend while rewarding our most loyal RewardME customers.

All RewardME members who spent £50 in our malls on any Sunday between March and October were rewarded with various gifts, from free parking to fashion items and sweet treats sourced from our retailers. The campaign was also supported by a series of Sunday events such as Beauty and Enviromall Days in June and Mall Monster Summer Party in August.

Over 22,000 loyalty card members took part in the campaign. Average promotional spend on Sundays during the campaign was more than double the normal average and this helped drive Sunday footfall to increase by 5% year on year between March and October. The campaign will be extended through 2015.

love Sundays

H&M

"The C&R team have delivered great stores for us in Luton and Lincoln — they adopt a constructive approach to problem solving and we're looking forward to doing more business in the near future."

Sam Miller Head of Leasing UK — H&M

DEICHMANN

"We've done some great business with C&R in recent years. The team have been consistently strong in identifying and creating the right space to support our UK roll out."

Rob Field UK Property Manager — Deichmann Shoes

Our Business Model

Our core strength is owning and managing dominant community shopping centres in the UK. Complementing this we also seek to exploit entrepreneurial opportunities across the retail and leisure property sectors. With our experienced team, our strong retailer relationships and our extensive community connections, we seek to generate sustainable income growth by combining active asset management and development with operational excellence.

Our approach to identifying and adding value to a scheme is illustrated as follows:

Identify

We believe there are a number of assets that meet our potential investment criteria. Typically these will be assets that are underperforming in their catchment but have significant asset management or development opportunities.

Acquire

If suitable we will acquire, wherever possible leveraging our deep industry relationships to secure off market transactions.

Enhance

Operational Excellence

- Develop excellent local team
- Drive footfall through creative marketing
- Maximise commercial income opportunities
- Reduce costs
- Enhance website and develop digital database
- Introduce C&R Finance Process

Asset Management/ Development

- Improve retail/leisure mix
- Build local authority partnerships
- Deliver improvements to retail environment/refurbish
- Identify and deliver development opportunities

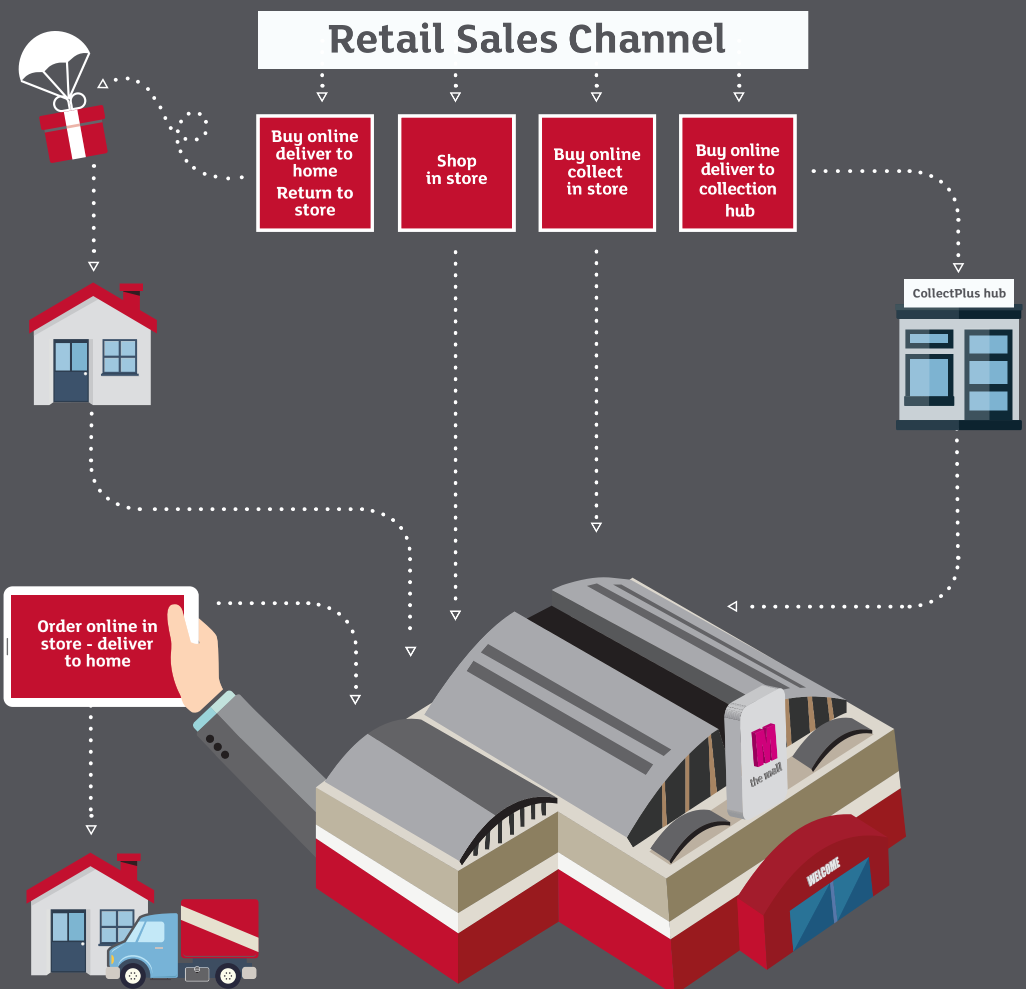
The Result

- Improved customer experience
- Attractive retail environment
- Relevant retail and leisure space
- Increased market share
- Increased footfall and spend

All contributing to **Income and Capital Growth**

Each asset is held in order to generate sustainable income growth. If an asset is ex growth, we will look to sell and recycle the proceeds into new opportunities.

Shops in our malls form an integral part of a retailer's multichannel sales model. Through the creation and management of excellent retail environments, convenient in their location, we provide accommodation that is central to the contemporary multichannel sales model.



Our ability to successfully deliver our business model and reposition a shopping centre is built on the key skills within our business:

- **Investment and development and asset management** — we have a track record of delivering complex asset management and development initiatives, enhancing assets through refurbishment and extension
- **Operations management** — market-leading operating standards that deliver high quality mall facilities with a highly efficient cost of occupation. C&R average service charge is 22% lower than JLL Oscar benchmark
- **Maximising commercial opportunities** — driving income from many sources including advertising, promotional space, retail merchandising units, digital commerce, gift cards and telecoms
- **Retailer relations** — our people management experience enables us to generate a strong retail culture among the whole team. We think like retailers, creating environments that are appealing to occupiers and deliver an outstanding shopping experience
- **Digital innovation** — we have been at the forefront of the sector in capitalising on the opportunities arriving from technological change – see connecting digitally page 15
- **Responsible management** — we have developed market leading processes that minimise our impact on the environment – connecting responsibly page 15 and Responsible Business review page 34
- **Creative marketing** — through targeted marketing we continually engage with our shoppers, encouraging repeat visits and higher spend

Our Strategy

Our strategy is geared towards delivering attractive and sustainable income and capital returns for our shareholders using the key skills within the business as identified on page 11.

Priority	Aim	Progress and Highlights
Invest in our existing portfolio	Continual enhancement of our assets to maintain their relevance and drive sustainable income growth	Five year Capex plan for The Mall commenced during 2014 Redditch Leisure Hub opened and refurbishment of Evesham Walk commenced See **Operating Review** on page 24 for further details
Connect with Communities		
• **Emotionally/physically**	Ensure we continue to deliver attractive environments underpinning our centres' role as key community hubs	Investment in refurbishing and enhancing our centres
• **Digitally**	Be a pioneer of digital solutions to enhance shopper experience and drive footfall and rental value	1st UK portfolio to launch responsive website Relaunched RewardME app 1st UK community shopping centre to work with CollectPlus
• **Responsibly**	Be a positive influence on the communities we serve and the people we employ	Energy savings of 10% (£225k) Retained GRESB Green Star ROSPA Gold Award for 8th consecutive year Investors in People for 5th consecutive year
• **Commercially**	Maintain strong relationships with retailers and local authorities	Occupancy 96.1% at December 2014 Successful defence in Maidstone against proposed out of town retail See **Connecting with communities** on page 15 and **Responsible Business review** on pages 32 to 37 for further details
Focus our business on UK Shopping Centres and grow portfolio	To seek opportunities to reinvest capital that will boost income generation and support capital and dividend growth	Acquired controlling stake in The Mall Disposal of German joint venture realising cash proceeds of £42.1m in February 2015 Investment in Buttermarket, Ipswich
To be the leading dominant community shopping centre REIT	To deliver capital growth together with a highly attractive dividend yield	Mall minorities bought out and fund restructured REIT status effective 31 December 2014

2015 and Beyond – Key Targets and Milestones	**Associated Risks**
10% income return on **£65m** Capex investment in The Mall See **Our Strategy in Action** on page 14 for further details	Property investment market risks See **Managing Risk** on pages 16 to 19 for further details
Walthamstow refurbishment to complete Q2 2015 Maidstone refurbishment to commence Q2 2015 Launch Electronic RewardME card Roll out CollectPlus to whole portfolio Reduce CO_2 by 3.5% Retain Awards Progressing Camberley, Maidstone and Walthamstow extension proposals with relevant local authorities	Threat from the Internet
Seek opportunities for further off market transactions to utilise platform capacity	Property investment market risks
REIT level dividend to commence from Interim 2015 Anticipated 2015 total dividend of at least **2.9p** per share based on 2014 Proforma Mall Operating Profit	Impact of the economic environment Execution of business plan

1st UK
community shopping centre to work with CollectPlus

Energy savings of
10%
(£225k)

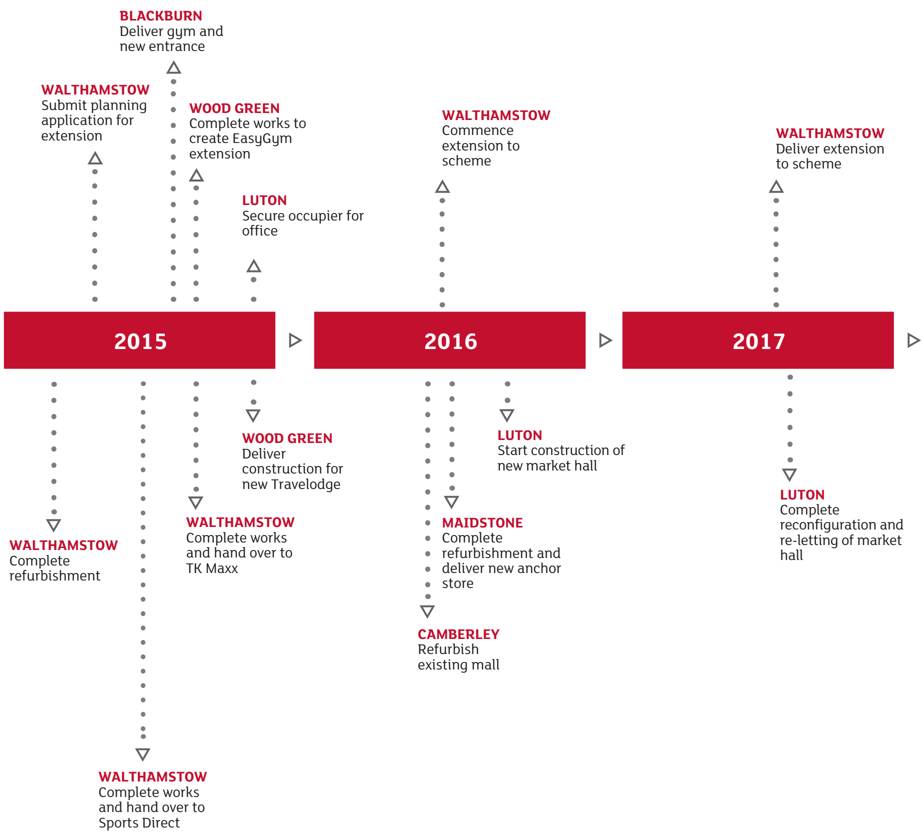
Our Strategy in Action

Wood Green
Activities 'beyond retail' contribute to income enhancement

- Travelodge
  - Lease agreed to deliver new hotel (initially 35 rooms) from substantially vacant office building
  - £1.9m capital expenditure
- EasyGym
  - Lease agreed to extend into adjoining office building
  - £0.7m capital expenditure
- Supermarket
  - Terms agreed and lawyers instructed for 16,000 sq ft supermarket on former garage site with reconfiguration and modernisation of adjoining retail/ market hall space
  - Capital expenditure of £5m.
- Expected income returns in excess of 10%

Delivering of development and asset management initiatives

The cornerstone of our business strategy is the five year £65 million Mall capital expenditure plan that commenced in 2014. A significant part of the investment takes place in the next two years as illustrated in the diagram below and we are targeting income returns in excess of 10%.



Walthamstow
Refurbishment bearing fruit

- Refurbishment programme to complete Q2 2015
- New letting to Dorothy Perkins/Burton with strong interest from other fashion occupiers
- Construction of new TK Maxx and Sports Direct units with projected cost of £4.5m due for completion in Q4 2015
- Extension plans for up to 100,000 sq ft retail extension and in excess of 200 homes progressing. Planning application Q3 2015, construction targeted H1 2016

Connecting with communities
Critical to maintaining and enhancing the relevance and success of our centres is the role they play in connecting communities. Such connections manifest themselves in different ways:

Connecting emotionally
People have a natural affinity with their home town. Memories are made, relationships formed and friendships sealed. We create the right environment in which people feel comfortable in 'their' mall - an appreciation of place that enables people to engage in the shopping experience, a connection which strengthens over time. At the heart of The Mall are our values: caring, dynamic and easy. We **care** about getting it right and being the best we can. We are **dynamic** in meeting the needs of our customers, always looking for better ways of doing things. We're **easy** to deal with, making sure that our customers always get a quick response to any question or problem they may have.

Connecting physically
Our Malls sit at the centre of the towns within which we invest and typically dominate the landscape. They connect physically with the streetscape of the town immediately outside. Entrances are located to provide convenient pedestrian access. Car parks offer quick entry and are typically located near a major public transport hub. The result is a centre, permeable to visitors, with natural flows in and out from the wider town centre and community.

Connecting digitally
C&R have pioneered digital innovations since we launched the first shopping centre portfolio web site, theMall.co.uk in 2006, which has since attracted more than 10 million hits. Our free Wi-Fi is enjoyed by customers (used 2.8 million times in 2014). Our centres are increasingly being viewed as digital hubs, where customers are fulfilling sales using Click & Collect. Over 70% of our retailers now offer this service. The combination delivers a strong digital connection to our communities.

Connecting responsibly
People are at the heart of our business; our responsible business projects and community partnerships focus on them and are driven by them. By reducing the impact we have on the environment, our employees, suppliers, stakeholders and the communities around reap the benefits and further engage with us to maintain momentum on this shared responsibility agenda.

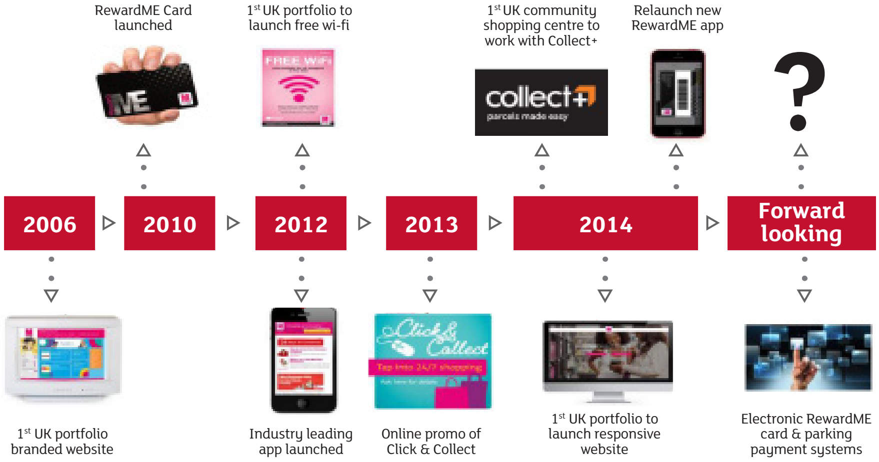
Connecting commercially
Many of our occupiers are independent retailers with local heritage. These retailers provide a link with the community and represent a real point of difference for shoppers. Our Mall teams know the customers and care about the success of their Mall, proud to contribute to its management and development. We are in business with local authorities, through head lease contracts and local planning arrangements. These commercial connections further link us to our communities.

Connecting with communities

Tour of Britain

The Mall Camberley was the headline gold sponsor of the penultimate stage of the 2014 Tour of Britain Cycle Race in Camberley in September 2014. As Camberley is also a Business Improvement District (BID) there was an opportunity to work with the other businesses and the BID team to provide additional activities throughout the town centre encouraging visitors to stay in the town centre after the cyclists had ridden out. As a result the footfall on the day was amongst the highest of the year achieving an increase of 5% on 2013, with dwell times also increasing.

A history of pioneering digital innovation



Managing Risk

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 materially from expectations.

Twice a year 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 and 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.

The Group's transactional activity in the year, most significantly the acquisition of 100% of The Mall and its disposal of its German joint venture (completed in February 2015), has resulted in the removal of three principal risks from the table below on the basis that they are no longer relevant or significantly reduced in relevance.
These are:

- *Property management income* – As the Group now owns 100% of The Mall the large majority of its property management income is within the Group.
- *Nature of investments and relationships with key business partners* – Given the Group now owns 100% of The Mall and has disposed of its German joint venture the risk of the Group's relationships with key business partners, while still relevant, is significantly reduced compared to prior periods.
- *Foreign exchange exposure risks* – At 30 December 2014 the Group had hedged 94% of the expected disposal proceeds in relation to its German joint venture. Following completion of the disposal the Group no longer has any material foreign currency exposure.

A new risk of execution of business plan has been added reflecting the risk of failing to deliver on the Group's stated business plan, primarily the multi-year £65 million capital expenditure investment within The Mall.

The two principal categories of risks remain Property Risks and Funding and Treasury Risks. In addition to the specific mitigating actions listed below, we look to reduce Property Risks by the nature of the assets we invest in being those that are typically dominant in their local catchment, with strong footfall and attractive value added opportunities.

The Group's key focus in managing Funding and Treasury risks is to seek to ensure that there is appropriate headroom on credit facilities and that they are renewed well in advance of expiry. The key actions undertaken in this regard during the year are detailed in the 'Debt' section of the Financial Review.

Risk	Impact	Mitigation
Property risks		
Property investments market risks		
• Weakening economic conditions and poor sentiment in commercial real estate markets could lead to low investor demand and market pricing adjustment	• Small changes in property market yields have a significant effect on the value of the properties owned by the Group • 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

Risk	Impact	Mitigation
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 revenues, lease incentive costs, void costs, available cash and the value of properties owned by the Group	• 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
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 for space and the levels of rents which can be achieved	• Strong location and dominance of shopping centres (predominantly London and South East England) • Strength of the community shopping experience • Increasing provision of 'Click & Collect' services by retailers within our shopping centres • Monitoring of footfall for evidence of falling visitors to shopping centres • Monitoring of retail trends and shopping behaviour • Mobile smart phone marketing initiatives
Valuation risks		
• In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty	• Stated property valuations may not reflect the price received on sale	• Use of experienced external valuers • Use of two valuers on The Mall portfolio • Valuations reviewed by internal valuation experts

Managing Risk

Continued

Risk	Impact	Mitigation
Concentration and scale risk		
• By having a less diversified portfolio the business is more exposed to specific tenants or types of tenant • Smaller size of the business may reduce purchasing power	• Tenant failures could have a greater impact on rental income revenues • 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
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 (interest, loan repayments, expenses, dividends) when due • Limitation on financial and operational flexibility • Cost of financing could be prohibitive	• Debt refinancing at the Group, The Mall and in Redditch in 2014 improved liquidity and long term security • Ensuring that there are significant undrawn facilities • Efficient treasury management and regular proactive reporting of current and projected position to the Board to ensure debt maturities are dealt with in good time • Option of further 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 risk		
• 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 relevant contractors/suppliers • Ongoing monitoring of performance against plan and key milestones by directors and senior management
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 the effectiveness with which the Group conducts its business	• Key management are paid market salaries and offered competitive incentive packages to ensure their retention • New LTIP awards made in 2014 • Succession planning for key positions is undertaken • Performance evaluation, training and development programmes are in place to maintain and enhance the quality of staff

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

Chief Executive's Statement

"The Group's operational focus is now on the delivery of the multi-year Mall asset management programme announced in conjunction with the Capital Raise in June 2014 which we now expect to total £65 million and deliver income returns of at least 10%."

8
UK shopping centres

Positive operational performance
It is particularly pleasing that in a year which has been dominated by corporate activity and against a backdrop of often challenging conditions for our retailers, the Group has been able to report an improvement in its key operational metrics during 2014.

After a number of years in which shopper numbers have fallen, footfall was up across the seven shopping centres in absolute terms (by 0.9%) and continued to outperform the benchmark (by 1.8%). This is supported by information from our indicative C&R trade index which showed retailers' sales across our portfolio were up 2.2% in 2014 compared to a 0.5% decrease in 2013.

Administrations were sharply lower in 2014 compared to 2013. This has helped occupancy grow from 95.0% as at 30 December 2013 to 96.1% at the end of 2014 on a like-for-like basis. This increased occupancy has led to an increase in passing rent, particularly in the second half of the year from £62.8 million as at 30 June 2014 to £64.5 million, an increase of 2.7% as at 30 December 2014.

Increased asset management activity
Completion of the Mall acquisition has enabled the Group to accelerate delivery of a number of value enhancing initiatives across the portfolio which were previously compromised by uncertainty surrounding the future of the Mall Fund. The much needed certainty provided by the transaction has resulted in heightened levels of engagement between our asset managers, local councils, retailers and leisure operators. The Group is, as a consequence, in a much stronger position to commit increased investment to its shopping centre portfolio. Three clear trends as we accelerate delivery of our plans are visible:

- Fashion retailers are still taking new space in shopping centres where refurbishment and reconfiguration have made it attractive and affordable. The very successful opening of the Next and H&M stores at Waterside, Lincoln, highlight the potential that can be unlocked as these lettings enabled the Group to dispose of the asset at a yield of 5.88%.
- There is still strong demand from leisure operators to take space. Unused office space in Wood Green is now being reconfigured to support the opening of both a hotel and the extension of a gym by the end of 2015. The creation of The Hub at Redditch, which has attracted a gym operator as well as three restaurants alongside the Vue Cinema, has led to a significant increase in footfall across the scheme. At the same time, the refurbishment of Worcester Square led to Costa taking a second unit and attracted new retailers such as Swarovski, which has opened with an exceptionally strong trading performance.
- Changing demographics are having a significant impact on demand for space in and around London. Fashion retailers are excited by the plans to extend the Walthamstow scheme whilst residential opportunities in Walthamstow and Wood Green seem to have much greater potential than originally anticipated.

Innovative technology
The Group has, for many years, been at the forefront of developing digital technology to support footfall and spend across its shopping centres. During the course of the year, the Group entered into a "Click & Collect" agreement with CollectPlus, the leading UK store-based parcel service. This is the first such agreement to include dominant community shopping centres. Initial trials in Camberley and Redditch have proved to be successful, particularly as the service attracts customers of retailers which are not represented in our malls into the centres.

Aggressive recycling of capital
The sale of the Group's German portfolio (which completed shortly after the year-end), together with the earlier sale of its interests in Hemel Hempstead and Lincoln, reflect a year of aggressive recycling of capital. In contrast to previous years, the proceeds were re-invested in growth through the acquisition of a controlling stake in the Mall Fund from Aviva Investors. Importantly, recycling has been well timed to take advantage

Lincoln

- Acquired in 2011 for £24.8m in 50% Joint Venture
- Net expenditure £8.2m
- Expected income growth £0.9m (10.9% income return)
- Sold in November 2014 for £46.0m (20% IRR return)

of an investment cycle which began to accelerate as the year has progressed.

The key highlights were:

- The sale of Lincoln for £46 million. The net proceeds to the Group of £15.7 million represented an uplift of £4.8 million or 44% on the 30 June 2014 carrying value.
- The German portfolio was sold at a small premium to year end NAV resulting in net cash proceeds of £42.1 million.
- The acquisition of a 62.56% stake in The Mall in July 2014 at a 5% discount to the June 2014 valuation.

Strengthening of balance sheet

Following completion of the acquisition of The Mall and the sale of Lincoln and Germany, the proforma see-through net loan to value of the Group has fallen from 54% to 45% as at 30 December 2014. With the exception of £15.5 million in respect of the Redditch investment, all of the Group's proforma see-through net debt of £352.1 million, adjusted for the sale of Germany and payment of The Mall performance fee and income due to former unit holders, is now on balance sheet.

In May 2014 the Mall CMBS was refinanced by entering into a new £350 million five year secured bank loan and an additional £25 million capex facility at a day one cost of 3.37%. The structure of the facility was subsequently amended, following completion of our 62.56% acquisition to enable the tender for the minorities to be funded from within the Mall.

The Group's Revolving Credit Facility, which was increased to £50 million to accommodate the offer for The Mall, has now been reduced to £20 million following completion of the sale of Germany in February 2015.

Occupancy (like-for-like)

96.1%

(2013: 95.0%)

C&R retailer sales

+2.2%

(2013: -0.5%)

Chief Executive's Statement

Continued

Outperformed national benchmark by

1.8%

£65m

Multi-year Mall investment

The Group raised £165 million of new equity during the year to fund the acquisition of The Mall.

Outlook

Income growth will be the key driver of property valuations. There is still scope for further yield compression given the continuing strength in investment markets, but we expect growth in valued income to be a more significant factor in the future. This will be driven by the fact that increased consumer spending provides retailers and leisure operators with confidence to take units in schemes where we have shown, and continue to demonstrate, a commitment to invest in the creation of attractive and affordable space right across the portfolio.

The Group's operational focus is now on the delivery of the Mall asset management programme announced in conjunction with the Capital Raise in June 2014 which we now expect to total £65 million. A significant part of the investment takes place in the next two years. We are expecting total income returns of at least 10%.

Key decisions on the two developments at Camberley and Maidstone can be expected this year. We are now entering a period of intense discussion and negotiation with both local councils and anchor retailers on the scope of the developments and expect to be able to clearly define both projects together with the Group's commitment by the end of the year.

Acquisitions will focus on opportunities which enable the Group to boost income and support a progressive approach to dividend growth. At this stage in the property cycle we see attractive opportunities to acquire assets comparable in size to Lincoln (as evidenced by the announcement of the acquisition of the Buttermarket Shopping Centre in Ipswich) which offer the opportunity for repositioning through asset management which will facilitate the introduction of new retailers and/or leisure operators.

Hugh Scott-Barrett
Chief Executive

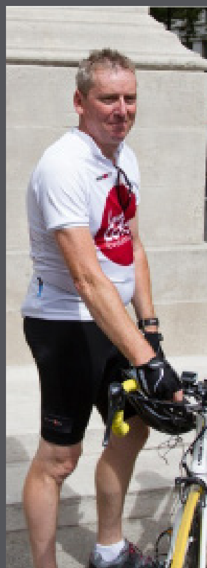
Connecting with communities

Mall Cares

Over the last four years we have raised over £1.2 million through our Mall Cares programme.

Two of the events undertaken in 2014 by staff at The Mall Luton commemorated the 100th anniversary of the Great War.

- The Mall Luton purchased a 100th anniversary sculpture for display in the centre. Working in conjunction with the Royal British Legion and the Sea Cadets a military service was held on 1 August 2014, and at 11.00 am the Service Standards were lowered to the sound of the last post as an ex-serviceman read the poem for the fallen.
- After the two minute silence, the first poppies to be placed on the sculpture were by the service personnel present and the Mayor of Luton, followed by mall staff. Over the following four weeks customers placing poppies on the sculpture donated over £2,700.
- The sculpture was used again later in the year to support the official Poppy Appeal helping to raise more than £20,000, a record for the annual collection within the Mall Luton.
- In August 2014 Mark Broadhead, the General Manager of The Mall Luton, was part of a team who cycled 225 miles from Luton to the battlefields of Flanders in Belgium raising more than £22,000.



Mall Cares

£1.2m

raised since 2010

Operating Review

There were two fundamental strategic objectives for the group in 2014, both of which have been successfully achieved. In the UK the Group consolidated its ownership of the Mall Fund through the acquisition of all of the units in the fund which it did not own. In Germany the Group exchanged contracts for the sale of all of its property interests in December 2014, with completion following on 10 February 2015.

As a result the Group is now fully focused on its investments in UK shopping centres through the Mall and in its joint ventures in Redditch and Ipswich, following the investment in March 2015. There was one disposal from the UK shopping centre business which was at Lincoln where, subsequent to the reconfiguration of the scheme, the Group and its joint venture partner took advantage of the strong investment market to sell the asset realising a profit on disposal of £4.7 million to the Group. The Group's key operating metrics are set out as follows:

UK shopping centres

Rental income

UK Shopping Centres (Like-for-like)	**Dec 2014 £m**	June 2014 £m	Dec 2013 £m
Contracted rent	**67.8**	67.3	67.6
Passing rent	**64.5**	62.8	64.1

Passing rent increased by 0.6% on a like-for-like basis during the year, which was driven by a strong letting performance and increased occupancy across the portfolio.

New lettings, renewals and rent reviews

UK Shopping Centres	
Number of new lettings	66
Rent from new lettings (£m)	3.7
Comparison to ERV (%)[1,2]	2.0
Renewals settled	34
Revised rent (£m)	1.5
Comparison to ERV[1] (%)	0.1
Rent reviews settled	28
Revised passing rent (£m)	3.4
Uplift to previous rent (£m)	0.1
Comparison to ERV (%)	9.1

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

There has been an excellent level of leasing activity across the UK Shopping Centre business with in excess of £5 million of annualised rental income achieved through completed new lettings and lease renewals during the year.

In Camberley, following the opening of the new TK Maxx store in 2013, further lettings have been achieved with other fashion operators. Jones the Bootmaker has taken a 10 year lease on a 1,400 sq ft unit. Deichmann and Select have also taken 10 year leases over units of 4,400 and 5,000 sq ft respectively. Costa has upsized to a 1,900 sq ft unit also on a 10 year term.

At Luton significant lettings have been made with Poundland which has taken a 10,500 sq ft store for 10 years, and HMV who have taken a lease to 2018 on a 4,500 sq ft shop.

The refurbishment of the scheme in Walthamstow is well progressed and notable deals have been concluded with TK Maxx taking 27,500 sq ft of retail space, which is being created partly from the car park, and Vodafone taking a 1,900 sq ft unit on a 10 year term. Burton/Dorothy Perkins has also relocated within the scheme on a new five year term to a unit of 5,100 sq ft.

There has been a strong level of activity at Blackburn where B&M has opened in a 19,000 sq ft unit on a five year term. Warren James has upsized to a 1,300 sq ft unit and tReds has taken a 2,700 sq ft unit, both for terms of ten years. Ed's Diner also signed a 15 year lease on a 5,400 sq ft unit, while further deals were concluded with Vodafone, The Fragrance Store and M Bitz.

At Wood Green, Vodafone has completed a 10 year lease on a 2,000 sq ft store and Costa has opened a new 1,800 sq ft outlet also on a 10 year term. In Maidstone, Yours Clothing took a five year lease on a 2,100 sq ft unit and renewals were completed with H Samuel and Card Factory.

In Redditch, three of the four newly created restaurant units have opened and this has generated significant letting interest from other operators. Costa has opened a second outlet in Worcester Square following its refurbishment. The remaining refurbishment works to the main fashion pitch in Evesham Walk are scheduled to complete early in the second quarter of 2015, adding momentum to the 600 sq ft and 2,300 sq ft lettings made to a Swarovski franchise and tReds respectively.

Occupancy levels

(Like-for-like)[1]	**30 Dec 2014 %**	30 June 2014 %	30 Dec 2013 %
UK Shopping Centres	**96.1**	94.3	95.0

[1] Occupancy at December 2014 and December 2013 includes a seasonal increase in temporary lettings.

Administrations

There were 20 units affected by administration during the year (2013: 31) with passing rent of £1.2 million (2013: £2.0 million).

UK Shopping Centres	**Year ended 30 Dec 2014**	6 months ended 30 Dec 2014	6 months ended 30 June 2014
Administrations (units)	**20**	8	12
Passing rent (£m)	**1.2**	0.7	0.5

At 30 December 2014, there was one unit where the tenant is continuing to trade whilst in administration with a passing rent of £0.2 million.

In the first two months of 2015 there have been nine units affected by administration with a passing rent of £0.6 million. Of this over 95% of the rent by value relates to units that are still open and trading.

Footfall

Footfall at Capital & Regional's UK shopping centres outperformed the national footfall index by 1.8% during 2014. There was an increase in shopper numbers over the year of 0.9% compared to a decline of 0.9% in the UK benchmark index (ShopperTrak), demonstrating the relative strength of the portfolio. This trend has continued in the year to date in 2015.

Investment portfolio performance

The property level total returns are set out below:

30 December 2014	Property valuation £m	Capital return %	Total return %	Initial yield %	Equivalent yield %
UK Shopping Centres[1]	895.7	8.2	14.9	6.27	6.62

[1] Weighted average by year end property valuation

Temporary lettings

At 30 December 2014, on a like-for-like basis there were 116 temporary lettings (2013: 100) for a net rent of £0.4 million (2013: £0.8 million) as compared to an ERV of £5.3 million (2013: £4.6 million).

Income security

Credit risk is managed through the assessment of the covenant strength of all incoming tenants and by monitoring credit ratings of key existing tenants. Where possible we look to pre-empt the consequences of administrations through contingency planning and by actively seeking to reduce exposure to known risks.

The ten largest retail occupiers by rental income at 30 December 2014 were:

UK Shopping Centres	%
Boots	5.1
Debenhams	3.9
Primark	2.9
Superdrug	2.4
BHS	2.4
H&M	2.3
New Look	2.2
Wilko	2.1
Sports Direct	1.9
Arcadia	1.8

Rent collection rates in the UK Shopping Centres (adjusted for tenants in administration) have continued to be strong throughout the year, with 98.3% of rent being paid within 14 days of the due date for December 2014.

Acquisition of Buttermarket Centre, Ipswich

On 3 March 2015 the Group completed the acquisition of the Buttermarket Centre, Ipswich in a 50:50 joint venture with Drum Property Group. The centre has been acquired on a freehold basis for £9.2 million equivalent to a Net Initial Yield of 8.46%.

The Buttermarket Centre has 235,000 sq ft of retail space over two core trading levels and an integrated 420 space car park.

We believe there is significant potential for repositioning the centre with an enhanced mix of retail and leisure and have plans for a £26 million development to be largely funded from new debt within the joint venture structure.

Other operations

Snozone

Snozone, the ski slope operator, delivered a 33% increase in its contribution to the Group of £1.2m (2013: £0.9m). This has been primarily due to year-on-year revenue growth in excess of 10% driven by a more effective marketing strategy and improvements in customer service, which have helped generate better retention and usage.

Connecting with communities

Snozone and Sense

In May 2014 Snozone embarked on a partnership with Sense, the charity for deafblind people, in pursuit of making snow sports accessible to everyone regardless of ability (physical or otherwise). Snozone also started the training of its coaches to become 'adaptive needs' qualified, so they can deliver tuition to disabled and deaf blind customers.

The work undertaken, plus the fundraising that took place over the course of the year, saw Snozone nominated for a Sense award at their national award event, in the 'Powerful Partners' category.

Financial Review

Key performance indicators

	2014	2013
Investment returns		
Total shareholder return	**24.7%**	53.9%
Net assets per share	**60p**	54p
EPRA net assets per share	**59p**	56p
Return on equity	**28.1%**	5.1%
Profitability		
Operating Profit[3]	**£19.3m**	£13.0m
Pre-tax profit for the year	**£67.2m**	£7.3m
Basic earnings per share – continuing and discontinued operations	**15p**	3p
Financing		
Group net debt/(cash)	**£369.8m**	£(11.1)m
Proforma Group net debt/(cash)[1]	**£336.6m**	£(19.5)m
Proforma see-through net debt to property value[1,2]	**45%**	54%
Property under management	**£0.9 billion**	£1.2 billion

1 2014 adjusted for £42.1 million of German joint venture net proceeds received in February 2015 and £8.9 million of payments due in respect of Mall performance fees and Mall income due to former unit holders. 2013 adjusted for £8.4 million Hemel Hempstead net proceeds received in February 2014.

2 See-through net debt divided by property valuation.

3 As defined in Note 1 to the financial statements.

Investment returns

The transactions and results for the year have significantly increased the size and scale of the Group with Net Asset Value growing from £188.7 million at 30 December 2013 to £419.0 million at 30 December 2014:

	£m	NAV per share
Net Asset Value at 30 December 2013	188.7	54p
New shares issued (net of costs)	160.7	
Operating Profit for the year	19.3	
Revaluation	42.7	
Acquisition of Mall units (see Note 25)	8.1	
Profit on disposal of Waterside Lincoln	4.7	
Other income statement movements	0.4	
Profit for the year	75.2	
Dividends paid	(3.8)	
Other Reserve movements	(1.8)	
	(5.6)	
Net Asset Value at 30 December 2014	419.0	60p

The Operating Profit and revaluation gains during the year significantly outweighed the dilutive impact of the new share issue, driving an increase in NAV per share of 6p or 11%. The return on equity for the year was 28.1%. The proforma NAV per share at 30 December 2013, reflecting the impact of the capital raise and acquisition of 62.56% of Mall units from Aviva and Karoo as if it had taken place at that date, was 49p per share.

The transformation and simplification of the Group is reflected in the table below which presents the Group's balance sheet in two separate ways, with the 'statutory' balance sheet following the accounting and statutory rules, and the 'see-through' balance sheet showing the Group's proportionate economic exposure to the different components.

Following the sale of Germany in February 2015 the Group's business is almost entirely based on UK shopping centres.

	See-through			**Statutory 30 December**	See-through			Statutory 30 December
	Property £m	**Debt £m**	**Other £m**	**2014 £m**	Property £m	Debt £m	Other £m	2013 £m
The Mall	**790.8**	**(380.0)**	**(33.6)**	**377.2**	214.3	(111.1)	(2.8)	100.4
Kingfisher Redditch	**29.8**	**(16.9)**	**0.7**	**13.6**	26.9	(17.1)	1.3	11.1
Germany[1]	**—**	**—**	**41.4**	**41.4**	167.9	(119.6)	(3.5)	44.8
Other net assets	**—**	**(23.4)**	**10.2**	**(13.2)**	—	—	13.9	13.9
Waterside Lincoln	**—**	**—**	**—**	**—**	15.7	(6.8)	1.2	10.1
Hemel Hempstead	**—**	**—**	**—**	**—**	8.4	—	—	8.4
Net assets	**820.6**	**(420.3)**	**18.7**	**419.0**	433.2	(254.6)	10.1	188.7

1 Held for sale at 30 December 2014

Profitability

The breakdown of Operating Profit, as defined in note 1 to the financial statements, is as follows (and as set out further in note 2a):

	Year to 30 December 2014 £m	Year to 30 December 2013 £m
The Mall	**14.6**	4.1
Other UK Shopping Centres	**0.3**	2.1
Snozone	**1.2**	1.0
Group/Central	**(2.5)**	(0.8)
Discontinued Operations	**5.7**	6.6
Operating Profit	**19.3**	13.0

The increase in Operating Profit reflects the impact of the acquisition of 70.74% of Mall units during the second half of 2014. Profits within Other UK Shopping Centres reflect an operating loss in Lincoln in the period until its disposal in November 2014 for a profit on disposal of £4.7 million. The movement in Group/Central profits primarily reflects 2013 benefiting from the write back of a £1.4 million provision.

Proforma Operating Profit

The following table provides illustrative annualised figures to show how the Mall contribution for the year would have looked (on a 100% basis) if the refinancing arrangements that were in place at the end of the year (as detailed in the Debt section) and the cost savings from the change in Operator and Fund Manager of The Mall were both in place and effective for the duration of 2014.

Financial Review

Continued

The Mall – Proforma Operating Profit

Year to 30 December 2014	Actual £m	Actual £m	Adjustments £m	Note	Proforma £m	Proforma £m
Rental income		48.5	–			48.5
Car park income		6.6	–			6.6
Ancillary income		2.4	–			2.4
Gross Rental Income		57.5	–			57.5
Service charge and void costs		(3.1)	–			(3.1)
Bad debt		(0.7)	–			(0.7)
Operator/Fund and Asset Manager		(5.6)	1.5	1		(4.1)
Car park costs	(3.2)		–		(3.2)	
Head leases	(2.7)		(0.3)	2	(3.0)	
Head lease adjustment	3.6		–		3.6	
Letting and rent review fees	(1.6)		–		(1.6)	
Admin expenses	(1.8)		–		(1.8)	
Repairs and maintenance	(0.4)		–		(0.4)	
Other costs	(1.7)		–		(1.7)	
Property operating expenses		(7.8)				(8.1)
Net Rental Income		40.3	1.2			41.5
Interest	(12.3)		(0.8)	3	(13.1)	
Fee amortisation	(1.9)		–		(1.9)	
Head lease adjustment	(3.6)		–		(3.6)	
Interest expense		(17.8)	(0.8)			(18.6)
Mall contribution		22.5	0.4			22.9

1 Adjustment to reflect cost saving of change in Fund Manager and Operator arrangements.
2 Adjustment to remove one-off impact of £0.3 million credit in respect of Luton.
3 Interest adjusted to reflect a full year charge on the basis of the year end debt and interest position for The Mall as reflected in the Debt section.

The table above shows the benefit of the saving of the fund manager and operator costs of £1.5 million per annum as part of the restructuring of the fund. Management believe further cost savings are likely to be achieved.

Using the proforma contribution calculated above for The Mall, the table below shows, based on 2014 actual results, the proforma Group Operating Profit taking into account the sales of Germany and Lincoln and the saving on the central debt facility following the receipt of the proceeds of these sales.

Group Proforma Operating Profit

Year to 30 December 2014	Actual £m	Adjustments £m	Note	Proforma £m
The Mall	14.6	8.3	1	22.9
Other UK Shopping Centres	0.3	0.5	2	0.8
Snozone	1.2	–		1.2
Group/Central	(2.5)	(1.1)	3	(3.6)
Discontinued Operations	5.7	(5.7)	4	–
Operating Profit	19.3	2.0		21.3

1 Proforma Operating Profit of £22.9 million as detailed in the table above. The adjustment from the actual 2014 results reflects £7.9 million regarding the share of ownership being adjusted to 100% for the full year and £0.4 million of adjustments as detailed in the table of The Mall – Proforma Operating Profit.
2 £0.5 million adjusted to add back the Group's share of operating losses in respect of The Waterside Shopping Centre, Lincoln which was sold in November 2014.
3 £1.4 million adjusted to reflect the impact of management fees in respect of Garigal and Lincoln (including £0.9 million of Lincoln performance fees) following the disposals of the Group's interests in 2014. Interest on the Group's RCF facility has been reduced by £0.3 million. This reflects an interest charge equivalent to the non-utilisation fee for 12 months on an undrawn £20 million facility given this is the expected position following the receipt of the German disposal proceeds.
4 £5.7 million of profits in respect of the Group's German joint venture removed following its disposal which completed in February 2015.

Financing

Debt

The vast majority of the Group's debt is now on-balance sheet with the Group owning 100% of The Mall as of 30 December 2014. The following summary is provided on a proforma basis adjusted for the £42.1 million of net proceeds received from the sale of Germany in February 2015 and £8.9 million of payments due in respect of the Mall performance fee and income due to former unit holders:

Proforma see-through debt

30 December 2014 Group share	**Debt[1] £m**	Cash[2,4] £m	**Net debt £m**	Loan to value[3] %	Net debt to value[3] %	Average interest rate %	Fixed %	Weighted average duration to loan expiry Years
The Mall	**380.0**	**(22.0)**	**358.0**	**51**	**48**	**3.45**	**61.1%**	**4.4**
Group RCF	**–**	**(21.4)**	**(21.4)**	**n/a**	**n/a**	**n/a**	**n/a**	**1.5**
On balance sheet debt	**380.0**	**(43.4)**	**336.6**					
Kingfisher Redditch	**16.9**	**(1.4)**	**15.5**	**56**	**51**	**4.59**	**100%**	**4.3**
Off balance sheet debt	**16.9**	**(1.4)**	**15.5**					
See-through debt	**396.9**	**(44.8)**	**352.1**	**51**	**45**			

1 Excluding unamortised issue costs.
2 Excluding cash beneficially owned by tenants.
3 Debt and net debt divided by investment property at valuation.
4 Cash adjusted for £42.1 million of German joint venture net proceeds received in February 2015 and £8.9 million of payments due in respect of Mall performance fees and Mall income due to former unit holders.

The Mall

The Mall Fund's debt was refinanced on 30 May 2014 and further amended on 3 November 2014, at which date the new £380 million facility was fully drawn down. This facility comprises a fixed rate tranche of £233.3 million with interest fixed at 1.86% plus applicable margin and a floating rate tranche based on three month LIBOR of £146.7 million. The floating rate tranche has been hedged using interest rate caps with a strike rate no higher than 2.75%. Based on the prevailing market rate at the end of 2014 the overall cost of this facility was 3.45% at that date. The debt matures in May 2019.

Group Revolving Credit Facility (RCF)

At 30 December 2014 the Group had £23.4 million drawn from a total facility available of £35.2 million. Following completion of the sale of the Group's German joint venture in February 2015 the outstanding drawings were paid off in full. Under the terms of the facility, as amended in June 2014, the available limit reduced to £20 million on 11 February 2015. Interest on the facility is charged at a margin of 3.2% per annum above LIBOR. A non-utilisation fee of 45% of the applicable margin is payable. The facility is available until 31 July 2016 (but will be reduced to £15 million from 1 January 2016).

Kingfisher Redditch

On 5 February 2014, the Kingfisher Limited Partnership completed a refinancing of its loan facilities and increased its senior facility. The additional funds raised were used to repay the partnership's mezzanine debt. The term of the facility was extended to April 2019. As a result the partnership's cost of debt fell from 6.2% to 4.6%.

Covenants

The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 December 2014. Further details are disclosed in the 'covenant information' section at the end of this report.

Foreign currency exposure management

At 30 December 2014 the Group used a forward foreign exchange contract to hedge the expected proceeds due from the sale of its German joint venture. The contract was for €50 million at a fixed exchange rate of 1.2721. This was closed out on 11 February 2015 following receipt of the proceeds.

Financial Review

Continued

Acquisition of Mall units

The Group acquired the 70.74% of Mall units that it did not already own, through three transactions in 2014:

- Acquisition of 62.56% of Mall units from Aviva and Karoo for £212.4 million which completed in July 2014
- £28.2 million redemption by the Mall Unit Trust of the units held by eight of the nine remaining minority unit holders completed in October 2014 resulting in the Group's effective shareholding in The Mall increasing from 91.82% to 99.45%
- £2.1 million acquisition of the units held by the final minority unit holder in December 2014.

The acquisition of the Aviva and Karoo units resulted in an immediate uplift of £11.5 million to the Group's income statement representing the fair value of the units acquired in excess of the amounts paid (see Note 25 of the financial statements for further details).

Transaction costs of £3.1 million were charged to the income statement (excluding £4.1 million of costs directly relating to the capital raise that were deducted from Share Premium) and a further £0.3 million of restructuring costs were incurred in achieving the approximate £1.5 million of annual cost savings expected to be delivered in 2015.

Disposals

Waterside Shopping Centre, Lincoln

On 12 November 2014, the Group and its JV Partner, Karoo, sold the Waterside Shopping Centre, Lincoln to Tesco Pension Fund Trustees for a net consideration of £46.0 million representing a net initial yield of 5.88%. The net proceeds attributable to the Group were £15.7 million (including performance fees of £0.9 million) and the resulting profit on disposal was £4.7 million.

German joint venture

On 24 December 2014, the Group announced the conditional exchange of contracts for the sale of its 50:50 German joint venture 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 small minority stake. The Group's net assets in respect of Germany at 30 December 2014 were £41.4 million including £2.7 million for the retained minority stake.

The sale completed on 10 February 2015. The net proceeds received were €54.6 million, this equated to £42.1 million (after all costs and including the benefit of the Group's Forward Contract) and is expected to result in a profit on disposal after costs of approximately £0.6 million to be recognised in the year ending 30 December 2015, subject to any final adjustments arising out of the completion accounts and before the impact of hedging and foreign exchange reserve reclassifications.

On completion, and included within the proceeds, the Group entered into a long-term loan payable of €3.5 million (£2.7 million at year end exchange rate of 1.2783) repayable after five years. After completion a distribution of €1.5 million was made in respect of the retained minority stake (reducing the carrying value of this to approximately €2.2 million), this was used to reduce the outstanding amount of the loan to €2.0 million.

REIT conversion

Immediately after the year end, on 31 December 2014, the Group converted to a Real Estate Investment Trust (REIT). The REIT regime enables the Group to benefit from a zero corporation tax rate on qualifying property income and capital gains.

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 period, 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.

Property under management

Following the disposal of the German joint venture the Group's property interest is entirely focused on UK Shopping Centres, the vast majority of which are now wholly owned:

100%	**Valuation 30 December 2014 £m**	Valuation 30 December 2013 £m
UK Shopping Centres – wholly owned	**745**	–
UK Shopping Centres – associates and joint ventures	**151**	851
German joint venture	**–**	337
Property under management	**896**	1,188

Excludes The Broadwalk Centre, Edgware in which the Group has no investment interest and for 2014 Germany, which was held for sale at 30 December 2014 and disposal completed on 10 February 2015.

Going concern

As stated in note 1 to the consolidated financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Discontinuation of Interim Management Statements

Following recent changes to EU regulation on financial disclosure, the Financial Conduct Authority has removed its requirement for UK companies to publish Interim Management Statements (IMSs). As a result, and reflecting the long term nature of our business, the Board has taken the decision to cease publication of formal IMSs in May and November. The Group remains committed to full and transparent disclosure and will continue with full-year and half-year announcements as well as other market updates when appropriate.

Dividend

For 2014, the Board is proposing a final dividend of 0.60p per share taking the full-year dividend to 0.95p per share representing an increase of 46% compared to last year. As explained in the prospectus issued at the time of the capital raise in June 2014, the earnings for 2014 which are not distributed will be used to part fund the Group's ongoing £65 million capital expenditure programme in The Mall.

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

16 April 2015	Ex-dividend date
17 April 2015	Record date for the payment of final dividend
14 May 2015	Dividend payment date

Following conversion to a REIT, the Board's dividend policy going forward, commencing with the interim dividend in 2015 which is expected to be paid in October 2015, will be to distribute at least 90% of Mall Operating Profit. This will be paid approximately 50% as an interim dividend and 50% as a final dividend. Based on the 2014 Mall Proforma Operating Profit set out on page 28 we anticipate paying a full year 2015 dividend payment of at least 2.9p per share.

Charles Staveley
Group Finance Director

Responsible Business

Connecting with communities

Enviromall

Our 2014 Enviromall campaign was launched on 5 June 2014, on World Environment Day and focused on the overuse of plastic bags. Every year more than 10 billion plastic bags are used by shoppers with the majority ending up in landfill sites and taking hundreds of years to break down.

The Mall introduced a Great British Bag Swap whereby for a week shoppers could swap 10 plastic carrier bags for free cotton bags for life. Over 1,000 customers took part. The bags for life that were given away to customers were designed by local school children with six winning designs being printed from 1,300 entries.

Introduction

Our intent is to create sustainable value by connecting with our communities; meeting both our shareholders and stakeholders expectations.

Our shopping centres create jobs for people; provide social hubs and venues for the community around them; create demand for local suppliers and improvements in the physical environment – just for starters. All this we aim to do as efficiently and sustainably as possible. The retailers, venues and businesses we bring to the shopping centres and properties provide more job opportunities and help further drive demand for goods and services. In turn this enhances the appeal of the location, which attracts more people and businesses to the area and into our space.

Being recognised as a responsible company has always been a fundamental part of our business and that doesn't happen overnight – you have to keep working at it – and that is what we are doing. We see responsible business as part of every employee's everyday working life; we all take those responsibilities seriously and pride ourselves on our achievements in this area. This report provides an update on our continuing progress throughout 2014 and our targets for 2015.

2014 highlights

Environmental

Once again we have made good progress against our environmental targets this year:

- Our energy CO_2 emissions were down by 10% in 2014 and, with the benefit of the mildest winter on record, our gas consumption also reduced drastically. Our electricity usage, which is not winter weather dependent reduced by over 4%. This produced a saving of over £225,000 and followed savings of £240,000 in 2013.
- In 2014, over 5,800 tonnes of waste was generated at our properties and we initially diverted 99.8% from going direct to landfill; 80% was recycled back to the supply chain, 12% waste used for energy and 8% sent to landfill after treatment.
- We retained the Global Real Estate Sustainability Benchmark (GRESB) Green Star Status.

Investors in People

We have been recognised as an Investor in People since 2002 and undertook our fifth successful assessment review in June 2014. While we are delighted with the assessors' feedback we will continue to strive for further improvement:

"I have visited many organisations with varying degrees of depth of practice, but it is seldom that I meet people who are so enthusiastic and committed to what the organisation is working to achieve."

RoSPA

We were delighted to retain the RoSPA Gold Award for the 8th consecutive year.

"The RoSPA Awards encourage the raising of occupational health and safety standards across the board. Organisations that gain recognition such as Capital & Regional, contribute to a collective raising of the bar for other organisations to aspire to, and we offer them our congratulations."

David Rawlins, RoSPA's awards manager

CARBON TRUST STANDARD
REDUCING CO2 YEAR ON YEAR
BBP BETTER BUILDINGS PARTNERSHIP
GRESB Green Star 2014

The Marketplace

Our aim is to engage with customers, suppliers and stakeholders, to understand their needs and identify ways of improving our collective responsible business performance. We recognise the positive impact our customers and suppliers can have on our sustainability efforts and continue to work in partnership to deliver our goals.

2014 Target	2014 Performance
Retention of RoSPA Gold Award	Awarded in July 2014
To ensure an average score of over 93% in the unannounced C&R Safe Audit	Achieved – average score 95.3%
All sites to achieve a score of 92% or above in the Compliance Structured Site Visit with no red flags	Achieved – average score 96%
To ensure all Duty Managers have completed our 2014 Safe Procedures competency checks	Completed
To carry out 100% of the Joint Unit Inspections on the new ipad app	Completed
To successfully implement the new integrated contract and explore further cost saving opportunities. Average BSPM score for all sites > 94%	Achieved - average Brand Standard Performance Management (BSPM) of 96.4%
To re-tender the waste and recycling contracts at each centre to ensure best practice operations and best value for retailers/tenants	Deferred to 2015
To ensure all statutory and non-statutory records are up to date, PPM compliance is greater than 95% at all times	Achieved - PPM compliance at 95%
Successful annual technical Structured Site Visit for each property with 90% minimum score	On completion of 75% of visits a review of the effectiveness resulted in a revised audit being designed based on PAS and BSRIA. Continues to be implemented
Experiment in one centre with an innovative approach to a quality assessed initiative that delivers cost savings while improving the quality of the environment and personal development opportunities for our teams	Trial completed in two centres although this will not be pursued

2015 Target
Retain RoSPA Gold Award
Achieve an average score of over 93% in the unannounced C&R Safe Audits
To ensure 100% of locally sourced contractors have undergone the prequalification process
Review procedures for daily/weekly audit checks to ensure a consistent structured approach across all sites
To carry out 100% of the Joint Unit Inspections on the newly launched Pyramid App
Drive cost efficiencies within the integrated Soft Services Contract. Average BSPM score for both services across all sites > 94%
Require our service providers to participate in national recognition awards such as Sceptre, BSIA awards and achieve at least one award in 2015
Achieve MallMaintain performance standards on contract for management, planned and statutory maintenance at statutory planned maintenance 100% and average BSPM > 94%
100% compliance on maintenance and property condition audits based on PAS and BSRIA guidelines

Responsible Business

Continued

The Environment

For many years we have worked hard to reduce our impact on the environment in the three key areas of waste, water and energy. In addition, we continue the focus on reducing the carbon footprint of our properties. We have long recognised that any development activity should mirror this and have proactively ensured we minimise energy consumption and mitigate the effects of climate change throughout the design, refurbishment or building phase.

2014 Target	2014 Performance
Continue to reduce our environmental impact through operational improvements, rethink projects, low carbon retrofit and renewable opportunities Reduce energy by 3.5% Reduce water consumption by 2%	Electricity and gas consumption down 10.2% helped by the very mild winter although electricity which is not weather dependent was reduced by 4%. Water down 1% Total cost saving of £225,000 following £240,000 saving in 2013
Continue to improve our waste handling and management Waste to be diverted from direct landfill 95% 85% of waste recycled back to the supply chain	99.8% diverted initially from landfill, 8% sent to landfill after treatment, 12% used as waste to energy. 80% recycled back to to the supply chain The waste recycled to supply chain target was not met however the performance still compares favourably to peers. As UK recycling facilities improve this will become more achievable
Satisfy all carbon management and legislative requirements and reduce carbon emissions	Compliant and carbon emissions reduced – see Directors' Report for analysis
Retain GRESB Green Star rating	Achieved
Contribute to the work of the Better Buildings Partnership (BBP)	BBP member of working groups and contributor to REEB performance benchmark
Continue working with BCSC Low Carbon Working Group and contribute industry guidance and promotion of best practice	Member of sustainability and community engagement committee and Chair of Low Carbon Working Group
Review our acquisition due diligence processes to consider further sustainability improvements	Working with BBP on due diligence guidance in relation to sustainability for the property industry
Establish a framework for our sustainable development and refurbishment works with project management	This is now being developed on a project by project basis, to be further progressed in 2015
Raise environmental performance and awareness of our centres with our top retailers	Retailer presentations and service charge reports included environmental performance and targets

2015 Target
Reduce CO_2 by 3.5%
Reduce our water consumption (normalised by footfall at landlord controlled facilities) by 2%
Divert at least 95% waste direct from landfill and 80% recycled back to the supply chain
Satisfy all carbon compliance reporting and legislative requirements
Retain GRESB Green Star status and be recognised as sector leader
The Carbon Trust Standard - Retain standard for energy and extend to water and waste
Participate and contribute as member of BBP and Building Services Research Information Association (BSRIA) and contribute to the work of the industry bodies
Participate and contribute to British Council of Shopping Centres, Chair Low Carbon Working Group and member of community engagement and sustainability committee
Conclude and implement a framework for sustainable development and refurbishment works
Meet and present to our top 15 retailers to communicate environmental performance of our centres

The Workplace

Our aim is to engage, develop and reward our people, retaining our reputation as an employer of choice within the sectors in which we operate. We want to provide relevant, engaging training for all our employees in order that they can make their fullest contribution to our success. We set out to provide a working environment which supports the wellbeing and health of all our people, taking account of the diversity of our workforce and reflecting our values and ethics.

2014 Target	2014 Performance
Design and delivery of a Team Conference with aim to inform, inspire and equip everyone to achieve the corporate objectives in 2014 and move their personal contribution forward All GM's and selected managers attend > 70% positive evaluation	Team day conferences held throughout the year for general, operations and marketing managers covering a wide range of learning and areas. These have proved very successful in maintaining close working relationships within the operations of the business and encouraged the sharing of best practice
Retention of Investors in People (IIP) accreditations	Achieved with very positive report
Design and implement a bespoke training programme for customer service personnel Participation of up to 60 people >75% positive evaluation	Achieved - 53 people attended Feedback 97% positive *"Best training course I've been on for any job"*
Design and implement a bespoke Institute of Leadership and Management (ILM) accredited Management Skills Programme for new and first line supervisors All manager level attendance >70% positive evaluation	Achieved - C&R Management Skills Programme three one-day workshops: Five more people achieved ILM qualification, with more anticipated at the conclusion of the programme
Work closely with our soft services partner, design and implement a new bespoke staff training package and issue a detailed training matrix for all security and cleaning staff	Zero Assaults Project (ZAP) launched in June 2014. Detailed Training Matrix for our security and cleaning staff is now in place
Through our soft services partner implement bio-metric staff recording technology at all centres to ensure a fair and accurate system of recording staff attendance and time worked on site	Timegate implementation due spring 2015 and training underway. Meanwhile time/attendance being recorded via VSG phone systems

2015 Target
Full participation in M Power management and leadership development including programme of ILM modules and successful completion of six modules in ILM Development Award All relevant manager attendance and >80% positive evaluation
Design and delivery of the next phase of customer experience training Participation of all relevant people increase in positive evaluation to >85%
All-team meetings held a minimum of three times per year at every site All employee attendance and >70% positive feedback
Support the continued development of the security and cleaning managers/supervisors Support the delivery of one additional soft services manager into operation
To support the delivery of advanced security training on key topics (e.g. Zero Assaults Project) Zero target for serious accidents/incidents involving security teams or enforcers re DPA
Through our Mall Maintain partner explore engineering apprenticeship opportunities for people in our local communities by designing and implementing an apprenticeship scheme

Connecting with communities

EcoDriver

In 2010 as part of our ongoing commitment to reducing our environmental impact and the energy costs for our tenants we installed EcoDriver in Camberley. This is a 'live usage' based reporting system, which provides data on electricity usage every half hour to two large public TV screens. The system also allows us to set daily usage targets and provides a visual display of performance against these targets.

The system gives us a means of measuring in real-time the impact of remedial actions so, for example, when we re-timed the heating/cooling systems or changed lighting to low energy LED systems we could see the benefit straight away. EcoDriver has helped The Mall Camberley reduce its electricity usage by over 40% since 2010.

Year	Energy usage (KWh)	% +/-
2010	943,594	–6%
2011	750,053	–21%
2012	664,833	–11%
2013	637,567	–4%
2014	548,239	–14%

Responsible Business

Continued

The Community

Our aim is to have a key role in the ongoing development of the communities and environments in which we operate. We work closely with key stakeholders to ensure we listen, engage and use feedback to develop or refine our approach. We use social media to collect feedback and respond. We aim to provide safe, welcoming, clean and attractive shopping and leisure venues where people choose to shop, work and socialise. We aim to make a positive contribution to each local community by being a responsible, socially aware and proactive partner.

2014 Target	2014 Performance
To maintain our involvement in local Crime Reduction Partnerships supporting the police with targeted crime reduction and community safety campaigns in order to further reduce the levels of recorded crime during 2014	This area of the business continues to gain momentum. For example the Blackburn team were shortlisted for a National Award by the National Association of Business Crime Partnerships Involvement with local crime partnerships continues to work well across all sites
To complete the implementation of body worn CCTV systems at the shopping centres to continue to prevent crime and anti-social behaviour. To also implement a new detailed audit process for CCTV systems installed at the shopping centres	All centres except one have purchased these cameras and they have proved very successful. Control room procedures are reviewed monthly but a more formal audit process is being developed
To review the role of first aid trained staff in responding to emergencies both within centres and the town centres in which we operate and explore opportunities to train key individuals as first responders	This continues to be explored by our soft services partner. The business already has several first responders in place

2015 Target
To actively engage with local crime reduction partnerships, police and other local enforcement agencies to proactively target prolific shop lifting, anti-social behaviour, and drug taking offences. To achieve a 5% reduction in recorded crime at the shopping centres during 2015
To maintain an average BSPM score across Cleaning and Security of above 94%
To ensure all sites are trained in the use of defibrillators and these are available in accessible locations across all our sites including head office
Work with our chosen local charities to meet a fundraising target of £270,000 To re-launch the Mall Cares programme, including a new Mall-o-meter to gauge customer engagement
To increase at each centre customer databases by 5,000 people and Facebook followers by 500 with focus on timely and high quality content
Successful roll out of the CollectPlus service across all our malls
To develop further local authority relationships ensuring that town centre transportation studies are fully integrated and take account of the ease of shopping and access demanded by our customers

Connecting with communities

Robbie Smith

C&R works closely with its services partner VSG Security, to deliver award winning services in its malls. In 2014 one of our dedicated customer service officers, Robbie Smith at The Mall Maidstone, received the BSIA award as 'National Winner for Outstanding Act'.

Robbie, a key team member with over ten years' experience, was on duty when an infant stopped breathing after suffering a fit. Responding to the mother's call for help Robbie acted swiftly and decisively clearing the infant's airways and lowering her temperature. The infant made a full recovery and the mother was very clear that Robbie's quick action had saved her daughter's life.

Commenting on the event and the prestigious award he received, Robbie said:

> ***"I was just doing my job, this is what I have been trained for, but it was nice to have such good things said about what I did, especially from the child's mother".***

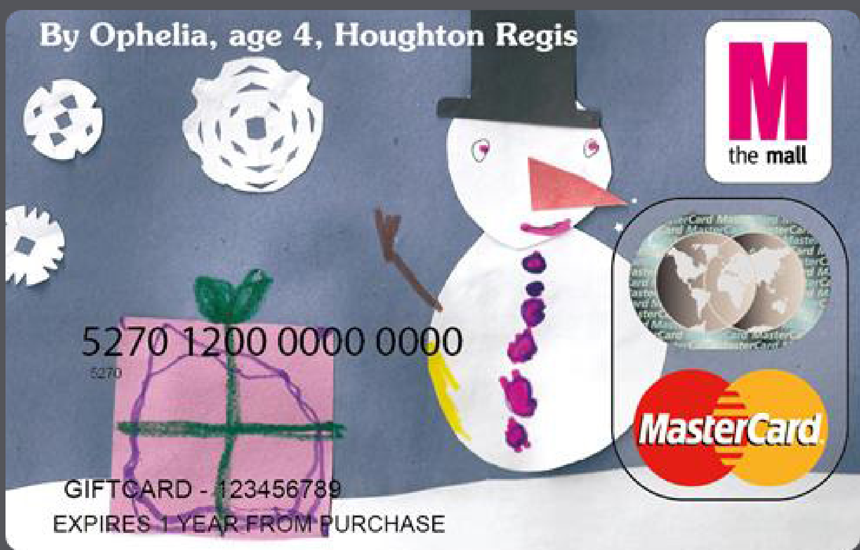
Connecting with communities

Christmas Gift Card Competition

In September 2014 we launched a competition to ask our shoppers to get creative and design the exclusive Mall Christmas Gift Card. We were looking for the best design that captured all the magic of Christmas and the one lucky winner would see their piece of artwork become 2014's official Christmas Gift Card and receive their own Card, loaded with £250 to spend in the Mall.

Although, the fantastic competition was open to all ages, with hand drawn and computer generated entries accepted, Ophelia Brooks-Buckingham aged four was chosen as the lucky winner with her fantastic Snowman design beating over 150 other entrants including her two older brothers!

2,500 of the special Christmas Gift Cards were ordered and sold out with weeks to spare.



Capital& Regional

Governance

Board of Directors

John Clare CBE
Chairman

John Clare CBE
Chairman

Chairman of Nomination Committee, member of Audit and Remuneration Committees

John was Group Chief Executive of Dixons Group plc between 1993 and 2007 and a Non-Executive Director of Hammerson plc between 1988 and 2009. He was also the Chairman of JobCentrePlus between 2006 and 2012, Chairman of Dreams Plc between 2008 and 2011 and the Senior Independent Director at Dyson Group between 2007 and 2011. John was appointed as a director and Chairman of the Company in 2010.

Hugh Scott-Barrett
Chief Executive

Hugh has been Chief Executive since 2008. He was previously a member of ABN AMRO's managing board and served as Chief Operating Officer between 2003 and 2005 and Chief Financial Officer from 2006 to July 2007. Hugh brings over 25 years' banking experience having also worked at SBC Warburg and Kleinwort Benson prior to joining ABN AMRO. He was educated both in Paris and at Oxford University. Hugh is a non-executive director of GAM Holding AG, a Swiss asset management company, and a non-executive director of The Goodwood Estate Company Limited.

Mark Bourgeois
Executive Director

Member of Responsible Business Committee

Mark began his career in audit at KPMG; he then qualified as a Chartered Surveyor with Donaldsons, where he became partner in charge of the London Shopping Centre Management team. Mark joined C&R in 1998; he has been responsible for managing the shopping centre business since 2009 and was appointed to the Board in 2013. Mark is a Junior Vice President of the British Council of Shopping Centres (BCSC) and will become BCSC President in 2017.

Kenneth Ford
Executive Director

Ken Ford has been involved in commercial real estate for over 30 years and has been an Executive Director since 1997. He has responsibility for the development of new business initiatives and has oversight of the Group's joint ventures. Ken has a BSc in Land Economics and is a Fellow of the Royal Institution of Chartered Surveyors.

Charles Staveley
Group Finance Director

Charles joined the Group in 2007 and was appointed Group Finance Director in 2008. He qualified as a Chartered Accountant with Arthur Andersen and prior to joining the Group held senior finance roles with Colt Telecommunications, Novar plc, and Textron Inc. He has Board responsibility for the Snozone business and, from the beginning of 2014 to its sale, had responsibility for the German joint venture.

Neno Haasbroek
Non-executive Director

Neno was a co-founder and director of Attfund Limited (one of the largest private property investment companies in South Africa) until the company was restructured and sold to Hyprop Investments Limited (a REIT listed on the Johannesburg Stock Exchange in South Africa) in 2011. Neno is a co-founder and director of CampusKey, one of the largest student housing providers in South Africa. He is a director of the Parkdev Group of companies, and serves on the board of a number of other companies, including The Karoo Investment Fund. He has a BSc Building Science degree from the University of Pretoria and an MBA from the University of the Witwatersrand. Neno was appointed a director of the Company in 2009.

Tony Hales CBE
Non-executive Director

Chairman of Audit Committee, member of Nominations and Remuneration Committees

Tony is currently Chairman of the Canal and River Trust and Greenwich Foundation, Senior Independent Director of International Personal Finance plc and chairs NAAFI Pension Fund Trustees. Tony was previously Chief Executive of Allied Domecq plc and a Non-Executive Director of HSBC Bank plc, as well as Chairman of Workspace Group plc. Tony was appointed as a director of the Company in 2011.

Ian Krieger
Non-executive Director

Member of Audit and Remuneration Committees

Ian is the Audit Committee Chairman and Senior Independent Director at both Premier Foods plc and Safestore Holdings plc. He is also a Trustee and Chairman of the Finance Committee at Nuffield Trust and a Trustee and Chairman of the Audit Committee of Anthony Nolan. Ian was previously a senior partner and vice-chairman at Deloitte. Ian was appointed as a director of the Company on 1 December 2014.

Philip Newton
Non-executive Senior Independent Director

Chairman of Remuneration and Responsible Business Committees and member of Audit and Nominations Committees

Philip is the former CEO of Merchant Retail Group plc, owners of The Perfume Shop, a 150 store chain that he developed from its beginnings. He is Chairman of Windsor Vehicle Leasing Limited, a vehicle finance and fleet management company and a Trustee and Board member of the British Thoroughbred Breeders Association. His early career was in the District Valuer's Office and then the property development industry. Philip was appointed as a director of the Company in 2006.

Louis Norval
Non-executive Director

Louis was a co-founder, Executive Chairman and Chief Executive of Attfund Limited (one of the largest private property investment companies in South Africa) until the company was restructured and sold to Hyprop Investments Limited (a REIT listed on the Johannesburg Stock Exchange in South Africa) in 2011. He was appointed a non-executive director on the board of Hyprop Investments Limited. Louis is also Managing Director of the Parkdev Group of companies, and serves on the board of a number of other companies. He graduated in BSc (QS) (with distinction) from the University of Pretoria. Louis was appointed a director of the Company in 2009.

Corporate Governance Report

John Clare CBE
Chairman

Chairman's introduction

I am pleased to present the Board's annual report on corporate governance.

The Board remains committed to high standards of corporate governance which it considers to be central to the effective management of the business and to maintaining the confidence of investors. The report which follows explains how we have applied the principles of good corporate governance advocated by the UK Corporate Governance Code 2012 ('the Code') as they apply to smaller (i.e. non FTSE 350) companies.

It is the view of the Board that the Company has been compliant with the principles of the Code, as they apply to smaller companies, during the past financial year.

John Clare CBE
Chairman

Application of the principles

The Company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' Remuneration Report.

Role of the Board

The Board has a collective responsibility to promote the long-term success of the Company for its shareholders. Its role includes reviewing and approving key policies and decisions of the Company, particularly in relation to Group strategy and operating plans, governance and compliance with laws and regulations, business development including major investments and disposals and, through its Committees, financial reporting and risk management.

The Board has established a schedule of matters reserved for Board decision. This schedule details key aspects of the affairs of the Company which the Board does not delegate.

The Board's agenda is managed to ensure that shareholder value and governance issues play a key part in its decision making.

The responsibilities, which the Board has delegated, are given to committees that operate within specified terms of reference and authority limits, which are reviewed annually or in response to a change in circumstances. The executive directors take operational decisions and also approve certain transactions within defined limited parameters. An Executive Directors' Committee meets on a weekly basis and deals with all major decisions of the Group not requiring full Board approval or authorisation by other Board committees, minutes of these meetings are circulated to the Board. The Executive Directors' Committee is quorate with three executive directors in attendance; if decisions are not unanimous the matter is referred to the Board for approval.

The Audit Committee, the Remuneration Committee and the Nomination Committee consist of the Chairman and independent non-executive directors. The Audit Committee and the Remuneration Committee meet at least twice a year, the Nomination Committee meets at least once a year and as required. The terms of reference of the respective Committees are available on the Group's website.

Board meetings are scheduled to coincide with key events in the Company's financial calendar, including interim and final results and the AGM. Other meetings during the year will review the Company's strategy and budgets for the next financial year and the Company's key risks as well as reviewing performance by the Group's operating segments.

Board balance and independence

Details of the directors are set out before the Directors' report. The Board currently comprises of the Chairman, four executive directors and five non-executive directors.

Louis Norval and Neno Haasbroek as non-executive directors are not considered independent for the purposes of the Code, as they represent a significant shareholder of the Company. Ian Krieger was appointed during the year bringing the number of Independent non-executive Directors to three.

The Board and Nomination Committee are satisfied that the Board composition provides an appropriate balance of power and authority within the Company. The Board believes that all the non-executive directors, excluding Louis Norval and Neno Haasbroek, are independent and act independently of management but will continue to review this position. The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office.

Philip Newton continued to serve as the Senior Independent Director throughout the year.

The Company has well established differentiation between the roles of Chairman and Chief Executive. Written terms of reference, which have been approved by the Board, are available for inspection on the Group's website.

In the Company's view, the breadth of experience and knowledge of the Chairman and the non-executive directors and their detachment from the day-to-day issues within the Company provide a sufficiently strong and experienced balance with the executive members of the Board. The other commitments of the directors are detailed in the directors' biographies.

Information and professional development

The Board schedules five meetings each year as a minimum, and arranges further meetings as the business requires. Prior to Board meetings, each member receives, as appropriate to the agenda, up-to-date financial and commercial information, management accounts, budgets and forecasts, details of acquisitions and disposals and relevant appraisals (prior Board approval being required for large transactions), cash flow forecasts and details of funding availability.

Induction training is given to all new directors appointed to the Company and consists of an introduction to the Board, onsite visits to properties managed by the Group, an introduction to key management, an induction pack and access to independent advisers. The ongoing training requirements of the directors are reviewed on a regular basis and undertaken individually, as necessary, although it is recognised that all members of the Board experience continuous professional development from working together. This is achieved by virtue of the mix of the directors, and their sharing of knowledge and experiences gained from a range of commercial backgrounds.

Board and committee meetings

The number of meetings of the Board and of the Audit, Remuneration and Nomination Committees during 2014, and individual attendance by directors, is set out below. Due to the high level of transactional activity during the year there were a number of ad hoc meetings called at short notice and as a result full attendance was not always practicable.

By invitation, Charles Staveley attended the three Audit Committee meetings, Louis Norval and Neno Haasbroek attended the three Remuneration Committee meetings and Hugh Scott-Barrett attended one of the Responsible Business Committee meetings.

Board meeting attendance in 2014

Number of meetings

6	5	11
Scheduled	Ad hoc	Total

Attended by:

	Scheduled	Ad hoc	Total
J Clare	6	5	11
H Scott-Barrett	6	5	11
M Bourgeois	6	5	11
K Ford	6	5	11
C Staveley	6	5	11
N Haasbroek	6	3	9
T Hales	5	5	10
I Krieger[1]	n/a	1/1	1/1
L Norval	6	4	10
P Newton	6	4	10

[1] Ian Krieger joined the Board in December 2014, he attended the one Board meeting that took place between his appointment and the year end. There were no Audit Committee or Remuneration Committee meetings from the date of his appointment to the end of 2014.

Other committee meeting attendance

Number of meetings

3	3	1	4
Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee

Attended by:

	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
J Clare	3	3	1	-
P Newton	3	3	1	4
T Hales	3	3	1	-
M Bourgeois	-	-	-	2

Corporate Governance Report

Continued

Board evaluation

A formal process has been established for the annual evaluation of the performance of the Board, its appointed committees and each director, to ensure that they continue to act effectively and to identify any training requirements. This process was led by the Chairman and each director completed an in-depth questionnaire which covered:

- performance of individuals and of the Board together as a unit;
- processes which underpin the Board's effectiveness (including consideration of the balance of skills, experience, independence and knowledge of the persons on the Board);
- strategy; and
- performance of the Board's sub-committees.

The completed questionnaires were then collated by the Chairman and considered in detail by the Board at the November Board meeting. This year's review found that the performance of the Board and its Committees continued to be effective in dealing with both day-to-day and ongoing strategic issues; and that the Board and Committee structure ensured that the governance requirements of the business were met.

The Chairman also meets as necessary, but at least once each year, with the non-executive directors without the executive directors present. The non-executive directors meet annually without the Chairman in order to appraise his performance. This meeting is chaired by the Senior Independent Director. The Chairman evaluates the performance of the Chief Executive having received input from the other directors. The Chief Executive evaluates the performance of the other Executive directors and the results of the appraisals are analysed and summarised by the Chairman. Subsequently, the results are discussed by the Remuneration Committee and relevant consequential changes are made if required.

Shareholder relations

The Company has always encouraged regular dialogue with its shareholders at the AGM, and through corporate functions and property visits. The Company also attends roadshows, participates in sector conferences and in October 2014 hosted a Capital Markets day. In addition, following the announcement of final and interim results, and throughout the year, as requested, the Company holds update meetings with institutional investors. All the directors are accessible to all shareholders, and queries received verbally or in writing are addressed as soon as possible.

Announcements are made to the London Stock Exchange and the business media concerning business developments to provide wider dissemination of information. Registered shareholders are sent copies of the annual report and relevant circulars. The Group's website is kept up to date with all announcements, reports and shareholder circulars.

Financial reporting

The Group's annual report includes detailed reviews of the activities of the business, its financial results and financing position. In this way the Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects.

Internal control

The Board is responsible for maintaining a sound system of internal control and risk management to safeguard shareholders' investment. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

In accordance with the revised version of the Turnbull Committee on internal control and the Code, an ongoing process has been established for identifying, evaluating and managing risks faced by the Group and the Board is satisfied that its process accords with the guidance in these documents. This process has been in place for the year under review to the date of approval of these financial statements. Each year the Board conducts a review of the effectiveness of the current system of internal control. Twice a year the Group undertakes a comprehensive risk and controls review, this is detailed in the Managing Risk section of the Strategic Report.

Other key features of the Group's system of internal control are as follows:

- Defined organisational responsibilities and authority limits exist throughout the Group. The day-to-day involvement of the executive directors in the running of the business ensures that these responsibilities and limits are adhered to;
- Financial and operating reporting to the Board including the preparation of budgets and forecasts, cash management, variance analysis, property, taxation and treasury reports and a report on financing;
- Review and approval of the Group's risk matrix twice a year by senior management, the Audit Committee and the Board as detailed in the Managing Risk section of the Strategic Report; and
- The Group's whistleblowing policy – see the Audit Committee report for further details.

Steps are continuously being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board, within existing terms of reference, on remuneration policy and determines, on behalf of the Board, specific remuneration packages for each executive director. The statement of remuneration policy and details of each director's remuneration are set out in the Directors' Remuneration Report on pages 49 to 64.

Nomination Committee

The Committee comprises of John Clare (Chairman), Philip Newton and Tony Hales. The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both executive and non-executive appointments to the Board. On an annual basis, the Nomination Committee also considers succession planning for the Board.

During the year the Nomination Committee conducted the recruitment of a new non-executive director resulting in the appointment of Ian Krieger to the Board from 1 December 2014. The recruitment was conducted internally with potential candidates proposed by existing Directors. The Committee was satisfied that the pool of candidates that resulted was of appropriate quality and diversity such that external assistance was not required. Each of the members of the Committee met with each of the shortlisted candidates and all other directors met with Ian prior to the Board approving his appointment.

Diversity

Whilst we pursue diversity, including gender diversity, throughout the business, and the Board endorses the aspirations of the Davies Review on Women on Boards, we are not committing to any specific targets. Instead, when relevant, we will seek to use executive search firms who have signed up to the voluntary code of conduct setting out the seven key principles of best practice to abide by throughout the recruitment process and we will continue to follow a policy of appointing talented people at every level to deliver high performance. We will also ensure that our development in this area is consistent with our own strategic objectives and is enhancing in terms of Board effectiveness.

John Clare CBE
Chairman

Audit Committee Report

Tony Hales CBE
Chairman of Audit Committee

Audit Committee

The Audit Committee is chaired by Tony Hales with Philip Newton, John Clare and Ian Krieger (from 1 December 2014) as members. In line with the provisions of the Code, as they apply to smaller companies, the Committee included at least two independent non-executive directors for the entire year.

The Board is satisfied that the committee's members have recent and relevant commercial and financial knowledge and experience to satisfy the provisions of the Code, by virtue of their holding or having held various executive and non-executive roles in other listed companies and Ian Krieger being a qualified Chartered Accountant.

Responsibilities

The Committee's role is to assist the Board in discharging its duties and responsibilities for financial reporting, internal control and the appointment and remuneration of an independent external auditor. The Committee is responsible for reviewing the scope and results of audit work and its cost effectiveness, the independence and objectivity of the auditor and the Group's arrangements on whistleblowing. The Committees' terms of reference are available for inspection on the Group's website.

Report on the Committee's activities during the year

The Committee has a schedule of events which detail the issues to be discussed at each of the meetings of the committee in the year. The schedule also allows for new items to be included into the agenda of any of the meetings.

During the year, the Committee discharged its responsibilities, under its terms of reference, by:

a) reviewing the Group's draft annual report and financial statements and its interim results statement prior to discussion and approval by the Board, and reviewing the external auditor's reports thereon;

b) reviewing the continuing appropriateness of the Group's accounting policies;

c) reviewing Deloitte LLP's plan for the audit of the Group's 2014 financial statements, receiving and reviewing confirmations of their independence and approving the terms of their engagement and proposed fees for the 2014 audit;

d) reviewing reports on internal control matters prepared by management;

e) considering the effectiveness and independence of the external auditor and recommending to the Board the re-appointment of Deloitte LLP as external auditor;

f) reviewing management's biannual Risk Review report;

g) reviewing the effectiveness of the Group's whistleblowing policy;

h) reviewing and updating the Group's policy for the award of non-audit work to its external auditor;

i) meeting with individuals from and reviewing the Working Capital report prepared by Grant Thornton UK LLP in relation to the prospectus for the £165 million capital raise that was launched in June 2014;

j) reviewing and approving the transaction costs in relation to the £165 million capital raise and acquisition of 62.56% of Mall Units; and

k) carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee.

The Audit Committee has reviewed the contents of this year's annual report and accounts and advised the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Significant issues considered in relation to the financial statements

During the year, the Committee considered key accounting matters and judgements in respect of the financial statements relating to:

Investment property valuation – At 30 December 2014 the Group's property assets including its 20% share of the Kingfisher Centre, Redditch was £939.7 million (see note 10b of the financial statements for further details). The valuation of investment property is inherently judgemental and involves a reliance on the work of independent professional qualified valuers. The Audit Committee considered the independence and qualifications of the valuers engaged and reviewed and challenged the valuations at each period end to understand the basis for them and the rationale for movements in the context of both the individual properties and the general property investment market.

Accounting for the acquisition of The Mall Fund – The Committee considered the accounting for the transactions that resulted in the Group acquiring 100% of The Mall Fund during 2014. This included the calculation of the gain on acquisition which involved an assessment of the fair value of the assets and liabilities acquired and arising from the transactions and consideration of the classification and treatment of associated transaction costs.

Performance fee recognition – The Committee considered the basis and rationale for management's conclusion that it was appropriate to recognise a performance fee liability within the Mall Fund accounts and the Group's share of income within Capital & Regional Property Management as at the year end (see note 25 for further details). This involved understanding the conditions of the underlying contracts and the calculation and agreement of the amounts accrued.

Going concern and covenant compliance – The Committee reviewed, challenged and concluded upon the Group's going concern review including giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets and projections that underpin the review and a review of compliance with key financial covenants.

Accounting for the conditional exchange on disposal of Germany – In 2014 the results of the Group's German joint venture were classified as Discontinued Operations (see note 26 for further details). The Audit Committee reviewed management's rationale for concluding that these operations met the definition as Discontinued Operations and the classification and valuation as an asset held for sale at 30 December 2014.

Impairment of inter-company investments and receivables – Management perform an annual review of inter-company investments and receivables to determine the values to be maintained in the Plc Company only and individual subsidiary balance sheets. The Committee considered the movement over the year and the key assumptions particularly where balances were held with reference to value in use as opposed to net assets of the underlying entity.

Oversight of the external auditor

The Committee carried out a review of the effectiveness of the external audit process and considered the re-appointment of Deloitte LLP. The review was structured using a questionnaire which was completed by all Committee members and relevant senior management with the results being collated and aggregated for discussion at the following Committee meeting. The review covered amongst other factors, the quality of the staff, the expertise, the resources, and the independence of Deloitte LLP. The Committee reviews the audit plan for the year carefully and subsequently considers how the auditor performed to the plan. They consider the quality of written and oral presentations and the overall performance of the lead audit partner.

The Audit Committee is also responsible for reviewing the cost-effectiveness and the volume of non-audit services provided to the Group by its external auditor. The Group does not impose an automatic ban on the Group's external auditor undertaking non-audit work, rather the Group's aim is always to have any non-audit work involving the Group's external auditor carried out in a manner that affords value for money and ensures independence is maintained by monitoring this on a case by case basis.

During the year the Committee reviewed and updated its policy on the use of its external auditor for non-audit services. The changes made included stating that under no circumstances would the external auditor be engaged to perform valuation work, accounting services and any recruitment services or secondments. It was also agreed that for any piece of work likely to exceed £10,000 at least one other alternative firm provide a proposal for consideration. Consideration was also given to the likelihood of a withdrawal of the auditor from the market and, it was noted that there were no contractual obligations which would restrict the choice of an alternative auditor.

Audit Committee Report

Continued

Details of the fees paid to Deloitte LLP for non-audit services during the year are provided in note 6 to the financial statements. Other than the interim review the only work for which Deloitte LLP was engaged was their role as Reporting Accountants on the £165 million capital raise and acquisition of 62.56% of Mall Units for which they were paid £137,500. Deloitte's work primarily involved providing the required Accountant's Report on the historical financial information provided in respect of The Mall and the unaudited proforma financial information. Grant Thornton LLP were engaged to provide private reports on Working Capital, Capitalisation and Indebtedness and Financial Position and Prospects. The Committee considered a proposal by Grant Thornton LLP to perform the work for which Deloitte were engaged but given Deloitte LLP's role as auditor it was considered they were best placed to perform the work both in terms of effectiveness and efficiency especially given the time constraints involved.

The Committee agreed that it was appropriate to recommend to the Board that Deloitte LLP be reappointed as auditor for a further year and, accordingly a resolution will be put to shareholders at the 2015 Annual General Meeting.

Independence safeguards

In accordance with best practice and professional standards, the external auditor is required to adhere to a rotation policy whereby the audit engagement partner is rotated at least every five years. 2014 is the second year that Georgina Robb has acted as lead audit engagement partner.

Deloitte LLP have been auditor of Capital & Regional plc since 1998. The audit was last put out to tender in 2009 where Deloitte were re-appointed. The Group intends to put the audit out to tender at least every 10 years as recommended by the UK Corporate Governance Code.

Internal audit

The Group does not have an internal audit function but manages an ongoing process of control reviews performed either by staff, independent of the specific area being reviewed, or by external consultants when deemed appropriate. During the year the Committee reviewed updates on controls over the Group's Capital Expenditure controls, IT and data security and compliance with the Group's gift and hospitality policy. The Committee also reviewed and agreed a plan and schedule for reviews for 2015.

While the Committee will continue to review the position at present it continues to believe that the current size and complexity of the Group does not justify establishing an internal audit function.

Whistleblowing

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal acts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisers using internal mechanisms for reporting. The policy acts as a mechanism to report any ethical wrongdoing or malpractice or suspicion which may amount to ethical wrongdoing or malpractice. Examples of ethical wrongdoing or malpractice include bribery, corruption, fraud, dishonesty and illegal practices which may endanger employees or other parties. There have been no instances of whistleblowing during the year under review.

Tony Hales CBE
Chairman of Audit Committee

Directors' Remuneration Report – Annual Statement

Philip Newton
Chairman of Remuneration Committee

Information not subject to audit:
Annual Statement

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee's report of the Directors remuneration for the year ended 30 December 2014 for which we will be seeking approval at the Annual General Meeting on 12 May 2015.

The Committee recognises that executive remuneration continues to be an area of focus for shareholders and the wider public and we are supportive of the continued drive to increase simplification and transparency of reporting to provide shareholders with greater understanding of our policy and its relationship with our strategy.

Stretching operational and financial targets were set for the executive directors to drive the achievement of the Company's strategic objectives in 2014. It has been a transformational year. The executive directors have achieved excellent results in all key strategic, financial and operational areas:

- Acquisition of 100% of The Mall and restructuring the fund to remove at least £1.5 million of annualised costs
- Successful disposals of Germany (£42.1 million) and Lincoln (£15.7 million)
- £165 million capital raise resulting in enhanced liquidity for shareholders
- Strong progress on £65 million Capex plan within The Mall portfolio
- Footfall up by 0.9% outperforming the national benchmark by 1.8%
- REIT conversion completed and effective 31 December 2014
- Share price growth from 43.6p at 30 December 2013 to 52.75p at 30 December 2014
- Full year 2014 dividend payment of 0.95p per share

It is, therefore, the Committee's view that the executive directors' variable remuneration should reflect the strategic progress made throughout this past year and that this and the excellent results are reflected in the variable remuneration of the broader management team.

In 2013 we undertook consultation with key shareholders on modifications to the long term incentive scheme and annual performance bonus levels, these changes were fully integrated in 2014 and feedback continues to inform the Committee's progressive thinking. The Company holds regular update meetings with institutional investors and the Remuneration Committee members are accessible to all shareholders; any queries received verbally or in writing are addressed immediately.

During the year the Committee conducted a review of the effectiveness of the current remuneration and incentives and how they link to business strategy. The Committee believes that the elements of fixed and variable remuneration remain appropriate in the current market environment. Overall the incentives have provided strong alignment between shareholder and executive team.

The Committee is recommending the Remuneration Policy for approval at the Annual General Meeting as we believe it continues to support the Company's success and objective of increasing long term shareholder value whilst providing sufficient levels of remuneration and reward to attract and retain our executive directors. The Committee believe that this remuneration policy structure is appropriate for Capital & Regional.

We continue to benchmark against a relevant comparator group, details of the comparator group are on page 54. We have maintained our policy of total compensation for executive directors at the median or above against our comparator group, with appropriate upward and downward variability based on performance.

For 2015 Executive Directors salaries will increase by 2.5%, being the same percentage increase provided to employees across the business. This is the first increase for Executive Directors since 2012, more information on this is available on page 60.

Long Term Incentive Plan (LTIP) awards were made to the Executive Directors in August 2014 and in March 2015 to reflect the progress detailed above.

The policies set out in the 2013 Directors' Remuneration Report received a vote in favour of 85.5% of votes cast at the AGM and I thank shareholders for their continued support.

Capital & Regional remains committed to clear and open communication. I am available to shareholders to raise matters directly and the Committee remains open to discussion with shareholders should there be any concerns that they wish to raise. In respect of executive remuneration there have been no departures from normal policy.

Shareholders will be invited to approve this Report and vote on the Policy at the Annual General Meeting of the Company on 12 May 2015 to apply until the 2016 AGM.

Philip Newton
Chairman of Remuneration Committee

Directors' Remuneration Report – Policy

In this section we explain our remuneration strategy and policy; how our remuneration packages support this strategy; why we have chosen the performance conditions we have and how they align with shareholders' interests.

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). This report sets out the Company's current remuneration policy, highlighting any changes from that which was approved at the 2014 AGM. A binding resolution to approve this report will be put to shareholders at the forthcoming 2015 AGM. In terms of an approved policy, it will take effect from the date it is approved by shareholders until the 2016 AGM.

The Committee reviewed the remuneration policy during the year and concluded that the policy is appropriate for the business. There may be further enhancements which could be made and the Committee will continue to review best practice which may further inform the policy in future years.

The Remuneration Committee
Philip Newton chairs the Remuneration Committee; he is the Senior Independent Director. The other members of the Committee are Tony Hales, John Clare and Ian Krieger (from 1 December 2014).

The Committee met three times during 2014 and held a number of informal meetings to discuss wider remuneration issues. In addition to the Committee members, the Chief Executive and other non-executive directors are invited to attend meetings as required, except in circumstances where their own remuneration is being discussed.

The Remuneration Committee agrees the framework for the remuneration of the Chairman and the Executive Directors. This includes the policy for all cash remuneration, executive share plans, service contracts and termination arrangements. The Committee approves salaries and sets performance objectives and levels of award for annual cash bonuses. It sets the share awards conditions for executive directors. It approves new share plans and any changes to them and makes recommendations to the Board on matters which require shareholders' approval. The Committee also determines the basis on which awards are granted under the share plans.

The Committee engaged independent remuneration consultants PricewaterhouseCoopers to provide advice during the year in relation to amendments to the existing August 2013 LTIP awards to offset the impact of the £165 million capital raise, fees charged during 2014 were £7,500.

You can view our terms of reference at www.capreg.com/about-us/board-committees

Summary of performance and remuneration year ended 30 December 2014
Business performance components

	2014	2013
Total shareholder return[1]	**24.7%**	53.9%
Operating Profit[2]	**£19.3m**	£13.0m
Profit before tax	**£67.2m**	£7.3m
NAV per share	**60p**	54p
EPRA NAV per share	**59p**	56p
Proforma Group net debt/(net cash)[3]	**£336.6m**	£(11.1)m
Proforma see-through net debt to property value[3,4]	**45%**	54%
Share price at year end	**52.75p**	43.6p

1 Change in share price plus dividends paid, weighted average to reflect 351.1 million new shares issued on 14 July 2014.
2 As defined in note 1 to the financial statements.
3 2014 adjusted for £42.1 million of German joint venture net proceeds received in February 2015 and £8.9 million of payments due in respect of Mall performance fee and income due to former unit holders; 2013 adjusted for £8.4 million Hemel Hempstead net proceeds received in February 2014.
4 See-through net debt divided by property valuation.

Remuneration philosophy and principles

Our principles are to maintain a competitive remuneration package that will attract, retain and motivate a high quality top team, avoid excessive or inappropriate risk taking and align their interests with those of shareholders. These principles are designed to:

- Drive accountability and responsibility
- Provide a balanced range of incentives which align both short term and long term performance with the value/returns delivered to shareholders
- Apply demanding performance conditions to deliver sustainable high performance; setting these conditions with due regard to actual and expected market conditions and business context
- Ensure a large part of potential remuneration is delivered in shares in order that executives are expected to build up a shareholding themselves and therefore they are directly exposed to the same gains or losses as all other shareholders
- Take account of the remuneration of other comparator companies of similar size, scope and complexity within our industry sector
- Keep under review the relationship of remuneration to risk, the members of the Remuneration Committee are that of the Audit Committee
- Ensure that the incentive structure does not raise any environmental, social or governance risks through compliance with our Responsible Business ethics and standards of operating

How the Committee sets remuneration

<table>
<tr><td>Salary</td><td rowspan="3">Fixed compensation</td><td rowspan="3">Median</td><td rowspan="5">Total = Median or above</td></tr>
<tr><td>Pension</td></tr>
<tr><td>Benefits</td></tr>
<tr><td>Bonus</td><td rowspan="2">Performance based compensation</td><td rowspan="2">Median or above</td></tr>
<tr><td>Share Awards</td></tr>
</table>

The Committee benchmarks remuneration against our selected comparator group companies (see page 54) and ensures that directors fixed compensation is around the median in the comparator group.

The Committee views that by putting an emphasis on performance related compensation, executives are encouraged to perform to the highest of their abilities. The performance based compensation is targeted to be at median or above within the comparator group. The overall effect is that our total compensation is at median or above.

Directors' Remuneration Report – Policy

Continued

A summary of the individual elements that make up the remuneration packages offered to our Executive Directors follows:

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes
Base salary *Median* • To aid recruitment, retention and motivation of high quality people • To reflect experience and importance of role	Reviewed annually effective 1 January to reflect: • general increases throughout the Company or changes in responsibility • benchmarking against comparator group to ensure salaries are at the median level and market competitive • any new director appointment may be at a salary level discount to reflect experience at that point, the Committee may increase it over time on the evidence of performance achievement and market conditions • changes in a directors role may require adjustment	n/a	n/a	• No changes to policy • 2.5% increase for Executive Directors for 2015 in line with employees across the business
Pension *Median* • To help recruit and retain high quality people • To provide an appropriate market competitive retirement benefit	The Company does not operate a pension scheme, all pension benefits are paid either to defined contribution pensions schemes of each directors choice or as a cash supplement CEO receives a pension allowance of 20% of basic salary All other directors receive 15% of basic salary	n/a	n/a	No change
Benefits *Median* • To aid recruitment and retention • To provide market competitive benefits • To provide protection for the Company and directors	The Company offers a package including: • private medical insurance • critical illness cover • life insurance • permanent health insurance • holiday and sick pay Benefits are brokered and reviewed annually	n/a	n/a	No change

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes
Annual bonus ***Median or above*** • To incentivise delivery of short term business targets and individual objectives based on annual KPIs • To recognise performance whilst controlling costs in reaction to the market context or Company events	The bonus plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated Company strategy	The maximum cash bonus is 100% of basic salary Targets calibrated so that maximum pay out would represent exceptional performance	Measures and weightings may vary from year to year depending on strategic priorities. KPI's for 2014 were: • 80% on Group objectives • income and property valuation metrics • sales of specific assets at target NAV • execution of strategy • 20% on individual objectives	No change
LTIP ***Median or above*** • To reinforce delivery of long-term business strategy and targets • To align participants with shareholders' interests • To retain directors and senior team over the longer term	Awards levels and grant conditions are reviewed in advance to ensure they are appropriate Awards are based on achieving share price target at end of three year period, based on the average share price (adjusted for distributions paid) over the 30 day period prior to the date of vesting An adjustment of the awards may be made in line with the scheme rules in the event of a capital raising or any other event that would have a dilutory impact	Plan provides annual awards of shares of up to 150% of salary and 200% in exceptional circumstances	• Share price target range • 25% of award will vest at threshold level set and 100% will vest at maximum level set • Vesting between points on a straight-line basis Committee can exercise discretion to allow full vesting if: • the performance targets have been met in advance of the full performance period as a result of a significant liquidity event • the liquidity event does not give rise to early vesting but instead results in an executive leaving employment A deferral/holding period applies: • 50% of vested awards must be held for one year and 50% for two years (with potential exceptions in the case of a liquidity event) Malus/Clawback Policy applies Details of the performance conditions are available on pages 61 to 63	Awards granted in August 2014 and March 2015: *CEO – 150%* *Other Executive directors – 100%* Awards were also made to a group of senior management Deferral/holding period such that 50% of vested awards must be held for a period of one year following vesting with the other 50% for a further year after that. (For the August 2013 issue 100% applies for one year)

Directors' Remuneration Report – Policy

Continued

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes
Executive shareholding To support alignment of Executive Directors with shareholders	Executive directors: • are expected to own shares with a value set at a percentage of base salary • deferred or other unvested share awards not subject to performance conditions can count towards the guideline All executive directors are expected to build a shareholding to at least 1× basic annual salary value (2× for Chief Executive) based on current market value or the aggregate purchase price of the shares	n/a	n/a	Amended from a guideline to an expectation, measured on aggregate purchase price or current market value
Fees *Median*	The Chairman and non-executive directors fees are set by the Board taking into account: • the time commitment • responsibilities • committee roles • skills and experience	Current fees are set out in the table on page 60	n/a	Ian Krieger was appointed as a non-executive director effective 1 December 2014 on a fee of £45,000 reflecting membership of both the Audit and Remuneration Committees

Employee context
The Committee ensures that employees' remuneration across the Company is taken into consideration when reviewing executive remuneration policy although no direct consultation is performed. The Committee reviews internal data in relation to every level of job and performance and is satisfied that the level of remuneration is appropriate.

Comparator group
The Committee reviewed its comparator group and made the decision it would remain unchanged for 2014. The majority of companies represented form part of the Numis UK Real Estate Valuation Sheet and continued to be relevant comparators.

The comparator group will be reviewed for 2015 to reflect the changes in the Company structure and increased focus on the core business of UK shopping centres.

The comparator group is used as a guide to set parameters and in this context is only one of a number of factors taken into account when determining the level and elements of remuneration policy.

The constituents of the comparator group for 2014 were:

- CapCo
- CLS Holdings
- Derwent London
- Grainger
- Great Portland Estates
- Hansteen
- Helical Bar
- Intu
- Land Securities
- Mucklow
- New River Retail
- Quintain
- Safestore
- Savills
- UNITE
- Workspace

Malus/Clawback Policy

The Committee has malus/claw back arrangements in place for the LTIP awards. The Committee have the discretion to reduce or cancel any outstanding awards that have not vested, and claw back any awards during the deferral/holding period, in any of the following situations:

- C&R's financial statements or results being negatively restated due to the Executive's behaviour
- A participant having deliberately misled management or the market regarding Company performance
- A participant causing significant damage to the Company
- A participant's actions amounting to serious/gross misconduct

Directors' service agreements and letters of appointment

Details of the service contracts of the executive directors and the non-executive directors are as follows:

Name	Unexpired term of appointment	Date of service agreement	Notice period	Potential termination payment
Executive Directors				
H Scott-Barrett	Rolling contract	9 March 2008	12 months	12 months salary and benefits value
K Ford	Rolling contract	17 May 1996	12 months	12 months salary and benefits value
C Staveley	Rolling contract	1 October 2008	12 months	12 months salary and benefits value
M Bourgeois	Rolling contract	13 August 2013	12 months	12 months salary and benefits value
Non-Executive Directors		**Date of initial appointment**		
P Newton	Rolling contract	8 August 2006	No notice	None
N Haasbroek	Rolling contract	15 September 2009	No notice	None
L Norval	Rolling contract	15 September 2009	No notice	None
J Clare	Rolling contract	29 June 2010	No notice	None
T Hales	Rolling contract	1 August 2011	No notice	None
I Krieger	Rolling contract	1 December 2014	No notice	None

Recruitment of Executives

In normal circumstances, new Executive Directors will receive a remuneration package in line with the Company's remuneration policy. Any new director appointment may be at a salary level discount to reflect experience at that point; the Committee may increase it over time on the evidence of performance achievement and market conditions. All new Executive Directors service agreements will include mitigation of the payment of notice as standard.

The maximum level of variable cash remuneration received by new joiners in year one of joining will be 150% of salary. In addition new directors may receive share awards on joining although these will not vest in the first year of joining.

Directors' Remuneration Report – Policy

Continued

Exit payment policy

When considering termination payments the Committee takes into account the best interests of the Company and the individuals' circumstances including the reasons for termination, contractual obligations, bonus and LTIP scheme rules. The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment. The policy in relation to leavers is summarised as follows:

- In normal circumstances the Executive Director will work their notice period and receive usual remuneration payments and benefits during this time. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of the LTIP scheme.
- In the event of the termination of an Executive Director's contract and the Company requesting the executive cease working immediately, either a compensation for loss of office payment will be made or a payment in lieu of notice plus benefits may be made. The value of the compensation for loss of office will be equivalent to the contractual notice period, pension and benefits value.
- The Executive Director may also be considered for a performance related pay award upon termination. The financial performance of the Company and meeting of KPIs and targets is the prime driver for determining whether to make an award and the quantum. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of a pro rata cash bonus award.
- In the event of termination for gross misconduct, neither notice nor payment in lieu of notice will be given and the Executive will cease to perform their services with immediate effect.

In the event that the Committee exercises the discretion detailed above in this section, the Committee will provide an explanation in the next remuneration report.

Executive directors' contracts

The service agreements of Hugh Scott-Barrett, Ken Ford and Charles Staveley entitle them, on termination of their contract by C&R, to payment equal to basic salary and the value of benefits for 12 months. Mark Bourgeois' agreement entitles him to the earlier of 12 months from notice of termination or him obtaining full-time employment.

External appointments

The Company allows Executive Directors to take up external positions outside the Group, providing they do not involve a significant commitment and do not cause conflict with their duties to the Company. These appointments can broaden the experience and knowledge of the Director, from which the Company can benefit. Executives are allowed to retain all remuneration arising from any external position. During the year under review the following external positions were held:

Executive	Appointment
H Scott-Barrett	Non-Executive Director GAM Holding AG Non-Executive Director The Goodwood Estate Company Ltd
K Ford	–
C Staveley	–
M Bourgeois	Junior Vice President of the British Council of Shopping Centres

Non-executive directors

Non-Executive Directors have letters of appointment for a fixed three year term. All Board appointments automatically terminate in the event of a director not being re-elected by shareholders. The appointment of a non-executive director is terminable (on notice) by the Company without compensation. At the end of the initial term, the appointment may be continued by mutual agreement.

Details of the fees received by each non-executive director can be found within the audited information on page 60. The individuals who are members of both the Audit and Remuneration Committees receive an additional fee of £5,000 per annum.

Senior management

The policy for senior management remuneration is set in line with the policy for the executive directors, with a degree of discretion for the Committee to take into account specific issues identified by the Chief Executive, such as the performance of a specific individual or division.

Remuneration Policy in 2015

The Committee is not proposing any changes to the remuneration structure in 2015 however it does aim to further develop the link between performance and reward in any way it can and taking into account best practice as it evolves within the field of executive remuneration. We will continue to consult with key shareholders on these matters.

Salary

When determining the base salary of the Executives, the main points the Committee takes into consideration are as follows:

- Salary levels of the comparator group
- Performance of the executive director
- Performance and development of the business
- Directors' experience and responsibilities
- Pay and conditions throughout the business
- Pay and conditions throughout our sector and other relevant recruitment sources

The Remuneration Committee has access to information and benchmarking research on the pay and conditions of other employees in the company when determining remuneration for the Executive Directors. The Remuneration Committee actively considers the relationship between general changes to employees' pay and conditions and any proposed changes to Executive Directors remuneration. Employee pay levels were reviewed and benchmarked and an inflationary 2.5% increase was awarded with effect from 1 January 2015. A benchmarking exercise was also completed against our updated comparator group for the Executive Directors. On reflection of this it was concluded that Executive Director salaries for 2015 should also increase by the same 2.5% awarded to all employees. This represents the first increase for Executive Directors since 2012.

Annual bonus

The Committee policy position on annual bonus is within the range of median or above. The maximum bonus opportunity for Executives directors is 100% of basic salary. This top level of annual bonus is only payable if the Company's financial and business performance achieves the stretching objectives set, which are designed to deliver exceptional results to shareholders.

Within the objectives bandings the detailed targets are based on benchmarks that reflect stretching internal and external expectations. The benchmarks for any year may include:

- NRI and Net Valued Income;
- Operating Profit growth;
- Valuation metrics;
- Valuations on disposal;
- Returns from sales of assets;
- NAV and EPRA NAV;
- Execution of strategic objectives;
- Relationship management;
- Leadership and management metrics; and
- TSR/shareholder returns.

The Committee set challenging targets within the objectives bandings for 2014 which required stretching levels of performance in order for any bonus to be earned. The Committee has assessed performance against the bonus criteria and determined that the thresholds detailed below have been met in respect of on target performance.

Benefits

The Company makes available the normal benefits in kind for Executives of their level such as private healthcare, permanent health insurance, life insurance and critical illness cover. The benefits policy position is at the median range.

Pension

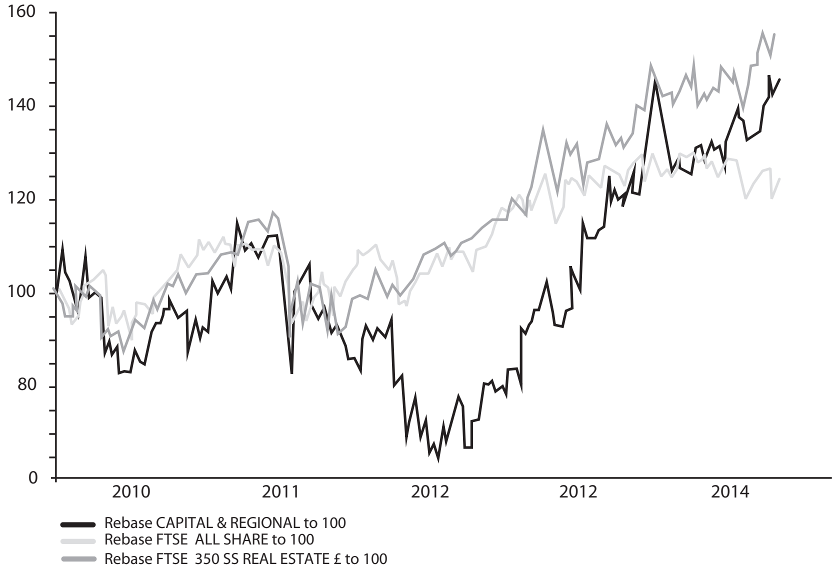
The Executive Directors received either cash in lieu of pension contributions or cash contributions directly to their own personal pension scheme. The pension policy position is at the median range.

Directors' Remuneration Report – Policy

Continued

Performance graph

The graph below illustrates the Company's TSR performance compared to a broad equity market index and to the FTSE 350 Super Sector Real Estate Index (£), given it is a widely recognised sector index incorporating the majority of companies in our comparator group. Performance is measured by total shareholder return (share price growth plus dividends paid). For comparison the single figure remuneration for the CEO is provided further below.



CEO remuneration	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Total remuneration	**833**	651	765	536	302
Annual Bonus (% of max)	**85%**	40%	69%	70%	–
LTIP (% of max)	**–**	–	–	–	–

Percentage increase in remuneration in 2014 compared with remuneration in 2013

	CEO	Employee[1] group
Salary	0%	2.5%
All taxable benefits	–	–
Annual bonuses	113%	37.2%

The ratio of the salary of the Chief Executive to the average employee salary[1] (excluding Directors) was 6:1 (£400,000:£67,000).

[1] Calculated with reference to employees of Capital & Regional plc and Capital & Regional Property Management.

The following table sets out the total remuneration receivable by directors and other employees and distributions to shareholders by way of dividend and share buyback.

	2014 £m	2013 £m	%
Total Directors' remuneration	**2.7**	2.8	–3%
Total Directors' remuneration excluding loss of office	**2.7**	2.5	+8%
Staff costs excluding Directors[1]	**8.0**	7.5	+7%
Dividends and share buybacks[2]	**6.6**	2.5	+164%

[1] Staff costs per note 7 of the financial statements excluding Directors, social security costs, pensions and share based payments.

[2] Total of interim and proposed final dividend for the respective year.

The increase in staff costs reflects the inclusion of the staff within The Mall from 14 July 2014 onwards following the Group's acquisition of a controlling stake at that date.

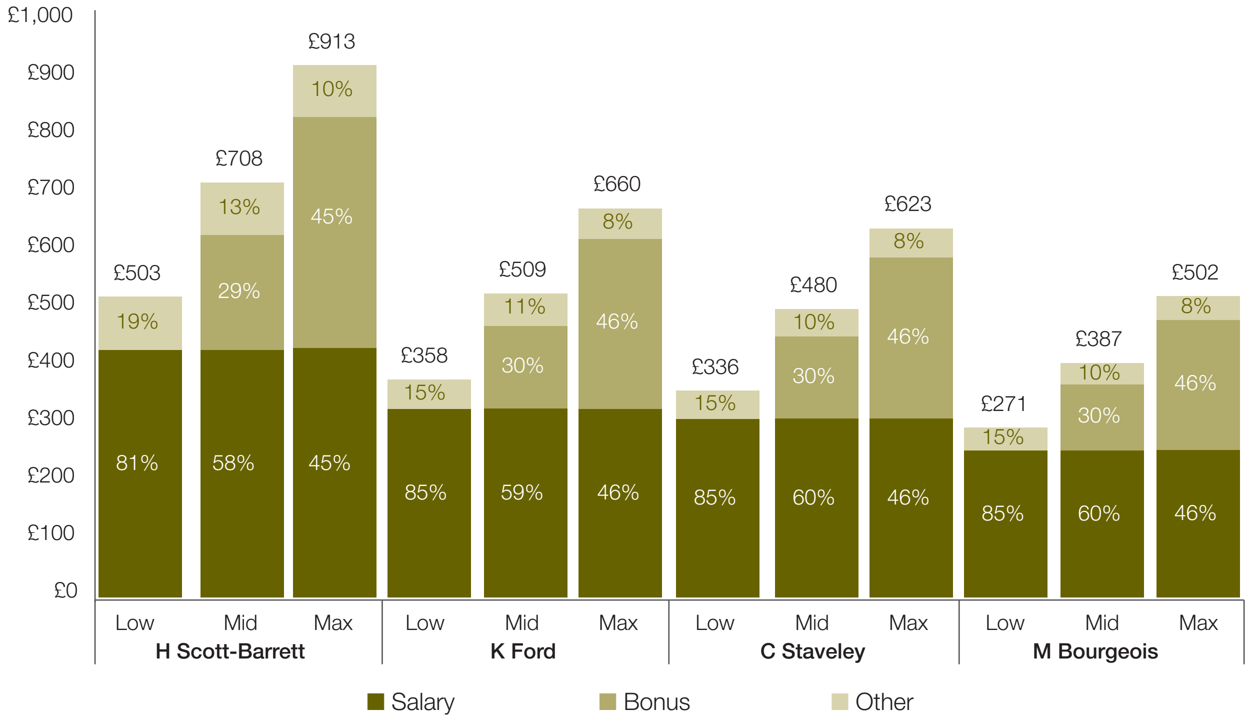
Total compensation

The following chart shows the value of each of the main elements of the remuneration package for each of the executive directors potentially available in 2015 dependent on performance scenarios.

- the low scenario is based on nil bonus
- the mid scenario is based on bonus at 50% salary
- the max scenario is based on bonus at 100% salary

There are no LTIP awards that are anticipated to vest in 2015.

All figures in £'000



Consultation and shareholders' views

As required in advance of the AGM, the Chairman of the Committee may arrange to consult with our key shareholders to provide information on any changes to the remuneration structure. Where requested further clarification and discussion can be provided to assist them in making an informed voting decision. If any major concerns are raised by shareholders these can be discussed with the Committee Chairmen in the first instance and the rest of the Committee as appropriate. Then at its first meeting following the AGM, the Committee will consider all shareholder feedback received in determining policy in the following year. This plus any additional feedback received during any meetings or from correspondence from time to time, will then be considered as part of the Committee's annual review of remuneration policy and structure.

Shareholder voting at 30 May 2014 AGM:

Resolution	For	Against	Discretionary	Total Shares Voted	For/ Discretionary as % of Total Shares Voted
To approve the directors' remuneration policy	241,154,479	40,879,554	46,103	282,080,136	85.51%
To approve the directors' remuneration report for 2013	285,800,794	12,045,108	46,103	297,892,005	95.96%

Committee evaluation

The Committee reviews its performance with Board members and other participants, including through the annual Board evaluation.

Directors' Remuneration Report – 2014 Remuneration Report

Audited information

The table below sets out the remuneration received/receivable in relation to the year ended 30 December 2014. All amounts in the table below were settled in cash, no amounts were deferred.

£'000	Salary/Fees		Taxable benefits (iii)		Other benefits(iv)		Pension (vii)		Annual bonus		LTIP		Loss of office		Total	
Executive Director	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
H Scott-Barrett	**400**	400	**4**	4	**9**	8	**80**	79	**340**	160	**–**	–	**–**	–	**833**	651
K Ford	**295**	295	**4**	6	**7**	4	**44**	44	**222**	118	**–**	–	**–**	–	**572**	467
C Staveley	**280**	280	**2**	3	**5**	4	**42**	42	**238**	112	**–**	–	**–**	–	**567**	441
M Bourgeois(i)	**225**	86	**3**	1	**4**	1	**34**	9	**180**	34	**–**	–	**–**	–	**446**	131
X Pullen(ii)	**n/a**	295	**n/a**	5	**n/a**	4	**n/a**	52	**n/a**	118	**n/a**	–	**n/a**	357	**n/a**	831
TOTAL	**1,200**	1,356	**13**	19	**25**	21	**200**	226	**980**	542	**–**	–	**–**	357	**2,418**	2,521
Chairman and Non-Executive Directors																
J Clare (Chairman)	**125**	125	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**125**	125
L Norval	**40**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	40
N Haasbroek	**40**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	40
P Newton(v)	**45**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	45
T Hales(v)	**45**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	45
I Krieger(v, vi)	**4**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4**	–
TOTAL	**299**	295	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	299	295
TOTAL	**1,499**	1,651	**13**	19	**25**	21	**200**	226	**980**	542	**–**	–	**–**	357	**2,717**	2,816

(i) Appointed 13 August 2013.

(ii) Contract ended 30 December 2013, payment for loss of office detailed on page 63.

(iii) Includes private medical insurance and critical illness cover.

(iv) Includes life insurance and permanent health insurance.

(v) Receives an additional fee of £5,000 as a member of the Audit and Remuneration Committeess.

(vi) Appointed 1 December 2014.

(vii) Includes amounts paid in lieu of pension.

Basic salary % level growth chart for all Executive Directors:

	2015		2014		2013		2012		2011		2010
	£'000	**%**	£'000	%	£'000	%	£'000	%	£'000	%	£'000
H Scott-Barrett	**410**	**2.5**	400	–	400	–	400	27.8	313	4.3	300
K Ford	**302**	**2.5**	295	–	295	–	295	13.0	261	4.4	250
C Staveley	**287**	**2.5**	280	–	280	–	280	7.3	261	4.4	250
M Bourgeois(i)	**231**	**2.5**	225	–	225	n/a	n/a	n/a	n/a	n/a	n/a
X Pullen(ii)	**–**	**n/a**	–	n/a	295	–	295	41.2	209	4.5	200

(i) Appointed 13 August 2013, table for 2013 shows full basic annual salary following appointment

(ii) Resigned 30 December 2013

From 1 January 2010, the Executive Directors (CEO from 2009 – salary reduced from £360,000 in 2008) voluntarily reduced their annual salaries for two years whilst the Group went through a period of strengthening the balance sheet and refocusing the business. With effect from 1 January 2011, The Committee approved an inflationary salary increase for the Executive Directors, applied to the reduced level of salaries.

Following expiry of the two year voluntary reduction in Executive Director salaries on 1 January 2012, the Committee considered it was appropriate to conduct a review of Executive Director salaries. This review used external benchmarking data to ensure that executive director salaries are in line with current market rates for similar sized listed property companies and director experience. There was no increase to Executive Directors' salaries between 2012 and 2014. As noted above salaries for Executive Directors for 2015 have been increased by 2.5% in line with the inflationary increase provided to employees.

2014 bonuses and achievement of objectives

	Total % awarded for 2014	**Bonus paid 2014 £'000**	Maximum achievable £'000
H Scott-Barrett	85%	**340**	400
K Ford	75%	**222**	295
C Staveley	85%	**238**	280
M Bourgeois	80%	**180**	225

In 2014, management's objectives were structured around achievement of the following:

i. acquisition of a controlling stake in The Mall;
ii. the sale of the Group's interests in Germany at NAV;
iii. sale of Lincoln at NAV or above;
iv. delivery of key income and valuation budget targets; and
v. individual objectives.

A pay-out ratio of between 75% and 85% reflects a year of very significant progress with the delivery of the Group's strategic agenda and key financial targets. We do not publish details of the thresholds and targets in advance as these are commercially confidential.

Share awards (LTIP)

The share award (LTIP) policy is at the median or above range.

The Remuneration Committee granted LTIP awards to Executive Directors on 14 August 2014. The CEO received awards equivalent to 150% of salary with other Executive Directors receiving awards equivalent to 100%. A small group of management also received an award.

The number of awards and the performance periods are summarised in the table below for all existing issues. The performance period for these awards is three years from the date of grant although there is then a further deferral/holding period. For the awards issued on 16 August 2013 the deferral/holding period is one year after the performance date, for the awards issued on 14 August 2014 the deferral/holding period is one year for 50% of the awards and two years for the remaining 50%.

Name	Date of award	No. of awards	% of salary	Threshold/Maximum vesting share price	Vested/lapsed in year	Performance date for vesting
H Scott-Barrett	16.08.13	2,078,980[1]	200	40p/70p	–	16.08.16
	14.08.14	1,283,422	150	60p/85p	–	14.08.17
K Ford	16.08.13	1,149,935[1]	150	40p/70p	–	16.08.16
	14.08.14	631,016	100	60p/85p	–	14.08.17
C Staveley	16.08.13	1,091,464[1]	150	40p/70p	–	16.08.16
	14.08.14	598,930	100	60p/85p	–	14.08.17
M Bourgeois	16.08.13	877,069[1]	150	40p/70p	–	16.08.16
	14.08.14	481,283	100	60p/85p	–	14.08.17

[1] In line with the scheme rules, the number of awards granted to each recipient was increased by 2% in August 2014 to offset the dilutive impact of the £165 million capital raise that completed in July 2014.

The share price at grant date was 39.0p for the 16 August 2013 award and 46.8p for the 14 August 2014 award.

Directors' Remuneration Report – 2014 Remuneration Report Continued

The table below shows the proportion of shares that will vest under the scenarios listed and the value of shares that will accrue to each director in that scenario.

Performance Target	% vesting	H Scott-Barrett £'000	K Ford £'000	C Staveley £'000	M Bourgeois £'000
August 2013 issue					
At 30 Dec 2014 share price[1]	59.4	651	360	342	275
At maximum vesting (70p)[2]	100.0	1,434	793	753	605
At threshold vesting (40p)[2]	25.0	203	112	106	86
August 2014 issue					
At 30 Dec 2014 share price[3]	–	–	–	–	–
At maximum vesting (85p)[2,4]	100.0	1,086	534	507	407
At threshold vesting (60p)[2,4]	25.0	191	94	89	72

1 Share price of 52.75p plus cumulative dividends from 16 August 2013 to 30 December 2014 of 1.00p per share.
2 Calculation assumes no future dividend payments however in practice further dividends paid will reduce the value of the final award as while they are factored into what proportion of shares vest the value of the shares that the recipient ultimately receives will be dependent on share price at date of exercise.
3 Share price of 52.75p plus cumulative dividends from 14 August 2014 to 30 December 2014 of 0.35p per share
4 Amounts have been corrected from the print version.

The Committee engaged and consulted with key shareholders and considered current market practice ahead of the August 2013 award which was the first of a planned rolling annual cycle of LTIP awards linked to performance targets each measured over a three year period. Awards were also made to a small group of senior managers.

The performance targets for the awards relate to absolute TSR. The awards trigger if the share price at the end of the vesting period (adjusted for cumulative dividends and distributions paid in the performance) is within the specified range based on the average price for the 30 day period preceding the date of vesting. 25% of the award will vest at threshold (40p for the August 2013 award, 60p for the August 2014 award) with 100% vesting at 70p for the August 2013 award and 85p for the August 2014 award. Vesting between the threshold and maximum points will be on a straight-line basis.

The Company has made significant progress in the execution of the transformation strategy to simplify and increase the focus of the business through disposal of non-core assets and the recycling of capital into its core shopping centre activities. The Committee concluded that absolute share performance was appropriate on the basis that:

- Capital & Regional differed from almost all other quoted companies in the sector during this transformation; and
- The level of de-risking of the balance sheet meant that geared growth potential would differ from other companies in the sector.

The key objective of the business strategy is to deliver value to shareholders. Although this may be achieved through share price growth and superior returns, it is possible that in seeking to deliver value to shareholders, management may look to create a significant liquidity event. It is essential that management take the right decisions for the future of the business and in the interests of the shareholders. If this results in a liquidity event before the end of the three year performance period, management will not be penalised for early delivery of the strategic objectives.

If such an event occurs with the three year performance period which causes the awards to vest early (e.g. takeover of a significant liquidity event with a return of cash to shareholders) and the TSR performance target has been met at that time as a result of the transaction, the level of the vesting will not reduce to take account of the length of the performance period remaining. Although any final decision will be taken based on the circumstances at the time the Committee intends to exercise discretion to allow full vesting if the performance targets have been met in full. If the performance target is met in part, the vesting schedule would be followed through again and no proration of the awards would apply. The same approach will be adopted if a liquidity event does not give rise to early vesting under the rules but instead results in an executive leaving employment.

If there is no liquidity event within the three year performance period but the TSR targets are achieved, a discretionary underpin will apply to the LTIP such that the Committee must be satisfied that the TSR performance genuinely reflects management effort and action in delivering financial performance.

In the event of a capital raising or any other such event that would have a dilutive impact upon the awards the Remuneration Committee may, in line with the scheme rules, adjust the awards granted to take account of this. In August 2014 the awards granted in August 2013 were increased by 2% to reflect the dilutive impact of the £165 million Capital Raise that completed in July 2014.

A deferral/holding period applies to vested LTIP awards. In respect of the August 2013 awards these must be held for a period of 12 months following vesting, for the August 2014 awards 50% must be held for one year and 50% for two years (deferral periods will not apply in the case of a liquidity event within three years).

The Company's clawback provisions apply during the deferral/holding period where the level of vesting may be reduced, including to nil.

Following the year end on 6 March 2015 a further grant of the LTIP was made at the following levels:

	% of salary	Awards issued (no of shares)
H Scott-Barrett	150%	1,064,935
K Ford	100%	523,593
C Staveley	100%	496,969
M Bourgeois	100%	399,350

A group of senior management also received an award.

The number of shares was determined by the closing share price on 4 March 2015.

The awards are subject to similar absolute performance targets as the 2013 and 2014 awards with a threshold of 65p and 100% vesting at 90p over a three year period. The same deferral period applies as for the 2014 awards such that 50% of vested awards must be held for a period of 12 months following vesting with the other 50% being held for a further 12 months after that (this will not apply in the case of a liquidity event within three years).

The Company's clawback provisions will apply during the deferral/holding periods where the level of vesting may be reduced, including to nil.

Payment for loss of office

In 2013 the Committee chose to exercise its right to make a loss of office payment to Xavier Pullen of £356,845 (equivalent to one year's salary and other benefits) and an annual bonus of £118,000.

Executive share ownership

The Committee believes that the interests of executives should closely align with shareholders. Accordingly all executive directors are expected to build up and maintain a minimum shareholding equivalent to one year's basic salary (two years for the Chief Executive) based on current market value or aggregate purchase price.

The table below demonstrates the shareholding status as a percentage of salary or fee:

Executive Directors	Time from appointment	Target % of salary	Target currently met?
H Scott-Barrett	6 years 9 months	200	Yes
C Staveley	6 years 2 months	100	Yes
K Ford	18 years 7 months	100	Yes
M Bourgeois	1 year 5 months	100	Yes[1]

[1] Target met following the purchase made on 4 March 2015, disclosed below.

Directors' Remuneration Report – 2014 Remuneration Report Continued

Interests in shares

The directors and, where relevant, their connected persons (within the meaning of Section 252 of the Companies Act 2006) were beneficially interested in the ordinary share capital of the Company at the dates shown in the table.

	30 December 2014 Shares	30 December 2013 Shares
H Scott-Barrett	**1,932,054**	1,352,055
K Ford	**1,897,842**	1,679,432
C Staveley	**540,475**	283,121
M Bourgeois	**389,290**	215,000
J Clare	**592,599**	296,300
N Haasbroek	**183,697,765**	102,042,913
L Norval	**199,290,349**	102,427,163
P Newton	**327,600**	163,800
T Hales	**299,999**	150,000
I Krieger[1]	**–**	n/a
X Pullen[2]	**n/a**	1,914,854

1 Appointed 1 December 2014.
2 Resigned 30 December 2013.

L Norval and N Haasbroek are each beneficially interested in the shares registered in the name of PDI Investment Holdings Limited, Karoo Investment Fund S.C.A. SICAV-SIF and Pinelake International Limited.

There have been no changes to the above shareholdings since 30 December 2014 to 23 March 2015 (the latest practicable date prior to the issue of this report) other than the following transactions all on 4 March 2015 unless otherwise stated:

- Mark Bourgeois acquired 50,000 shares
- Hugh Scott-Barrett acquired 100,000 shares
- John Clare acquired 100,000 shares
- Louis Norval, through Homestead Group Holdings, acquired 250,000 shares
- Karoo Investment Fund disposed of 2,200,000 shares reducing the beneficial interests of Louis Norval and Neno Haasbroek by that same amount
- On 6 March 2015 Karoo Investment Fund disposed of 1,300,000 shares reducing the beneficial interests of Louis Norval and Nino Haasbroek by that same amount

Philip Newton
Chairman of Remuneration Committee

Directors' Report

Business review
Information on the Group's business, which is required by section 417 of the Companies Act 2006, can be found in the Strategic Report on pages 4 to 37 which is incorporated into this report by reference.

The purpose of this annual report is to provide information to the members of the Company. The annual report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the Group undertakes no obligation to update them. Nothing in this annual report should be construed as a profit forecast.

Financial results and dividends
The results for the year are shown in the Group income statement on page 76. Events after the balance sheet date are detailed in note 30 to the financial statements.

An interim dividend of 0.35 pence per share (2013: 0.25 pence per share) was paid on 26 September 2014. The directors recommend a final dividend of 0.60 pence per share, making a total distribution for the year ended 30 December 2014 of 0.95 pence per share (2013: 0.65 pence per share). Subject to approval of shareholders at the Annual General Meeting ('AGM') on 12 May 2015, the final dividend will be paid on 14 May 2015 to shareholders appearing on the register at the close of business on 17 April 2015. The shares will be quoted ex-dividend on 16 April 2015.

Corporate governance
A report on corporate governance and compliance with the provisions of the UK Corporate Governance Code, which forms part of this Directors' report, is set out on pages 42 to 45.

Report on greenhouse gas emissions
We have followed the UK Government environmental reporting guidance and GHG conversion and emission factors for company reporting 2014. We have used the operational approach and report emissions on an absolute basis. We have not reported level 3 emissions as these are de minimis and excluded our German interests. Further details in respect of our commitments to sustainability and analysis of our performance are contained in the responsible business report contained on pages 32 to 37 and are available on our website www.capreg.com.

Global Greenhouse Gas (GHG) emissions data	Tonnes of carbon dioxide equivalent (tCO_2e) 2014	2013
Combustion of fuel and operation of facilities (Scope 1 emissions)	**1,475.78**	2,437.56
Electricity, heat, steam and cooling purchased for operational use at our facilities (Scope 2 emissions)	**12,359.41**	12,854.61
Emissions intensity based on tCO_2e for every 1,000 sqft of net lettable area	**2.857**	2.955

Directors
The names and biographical details of the present directors of the Company are given on pages 40 to 41. Ian Krieger was appointed on
1 December 2014, all other Directors served for the full year.

All directors, who served throughout the year, will retire and, being eligible, offer themselves for re-election at the 2015 Annual General Meeting. Philip Newton has indicated his intention to step down from the Board at the AGM in 2016 by which time he will have served nine years as a non-executive director. Philip will, until then, continue to be the Senior Independent Director and Chairman of the Remuneration Committee.

Directors' interests in the share capital and equity of the Company at the year end are contained in the remuneration report on page 64. There were no contracts of significance subsisting during or at the end of the year in which a director of the Company was materially interested. No director had a material interest in the share capital of other Group companies during the year.

In connection with the Parkdev Investors' acquisition of Parkdev Firm Placed Shares and pursuant to the Relationship Agreement that the Parkdev Investors and the Company entered into in 2009, the Company agreed, upon request, to appoint two non-executive directors nominated by Parkdev to the Board for so long as the Parkdev Investors own 20% or more of the issued ordinary share capital in the Company and one non-executive director to the Board if the Parkdev Investors own less than 20%, but not less than 15% of the issued ordinary share capital in the Company. Louis Norval and Neno Haasbroek are Parkdev nominated
non-executive directors.

The Company maintains insurance for the directors in respect of liabilities arising from the performance of their duties.

Directors' Report

Continued

Substantial shareholdings

As at 23 March 2015 (the latest practicable date prior to issue of this report) the Company has been notified of the following interests in its issued ordinary share capital which represent 3% or more of the voting rights in the Company:

	Number of shares	%
PDI Investment Holdings	82,505,610	11.77
Karoo Investment Fund	70,040,911	9.995
Standard Life Investments	68,290,082	9.75
Henderson Global Investors	50,665,573	7.23
Morgan Stanley Investment Management	47,259,878	6.74
Pinelake International	27,434,881	3.92
UBS Global Asset Management	24,383,166	3.48
Investec Wealth & Investment	23,566,649	3.36
Premier Asset Management	23,484,630	3.35
APG Asset Management	22,213,598	3.17

Capital structure

The Company has one class of ordinary shares of 1 pence each with equal voting rights. In addition, the trustees of the Long Term Incentive Share Scheme have the right to vote on behalf of the Group's employees. Further information is given in note 19 to the financial statements.

Significant contracts or arrangements

The Group has the following significant contracts and agreements in place which alter upon a change of control of the Company as follows:

- The Group's core revolving credit facility can be called in if there is a change of control of the Company, which is defined to be either the Company ceasing to hold not less than 100% of the issued share capital and voting rights of the borrower, or 50% of the Company's issued share capital being held by or on behalf of a single entity or group, or 30% of the issued share capital being held by or on behalf of a single entity or group and more than 50% of the directors immediately following the completion of the Amendment and Restatement of the current facility in August 2012, ceasing to be directors at the time the 30% limit is breached. If this occurs the bank has the right to repayment of the loan. In the case of Parkdev, the 30% limit is ignored if their holding exceeds 30% and no mandatory takeover offer is required as a result of a whitewash resolution being passed.
- Certain tax losses could be lost in some circumstances where there are varying degrees of change of ownership of the Group's shares.

In addition the Group could lose its status as a REIT as a result of the actions of third parties (for example in the event of a successful takeover by a company that is not a REIT and which does not qualify as an institutional investor for REIT purposes) or due to a breach of the close company condition if it is unable to remedy the breach within a specified period.

Purchase of own shares

The Company did not make any purchases of its own shares during 2014 or in 2015 up to 23 March 2015 being the latest practicable date prior to the issue of this report.

The Company was authorised by shareholders at the 2014 AGM held on 30 May 2014 to purchase up to a maximum of 10.0% of its ordinary shares in the market. This authority will expire at the 2015 AGM and the directors will be seeking a new authority for the Company to purchase its ordinary shares. This will only be exercised if market and financial conditions make it advantageous to do so.

Articles of Association

Various amendments were agreed to the Company's Articles of Association during 2014 in connection with the Company's conversion to REIT status. The revised Articles were approved by special resolution at a general meeting of shareholders on 2 December 2014 and became effective from 31 December 2014 being the date of the Group's conversion to REIT status.

Shares held by Employee Share Ownership Trust

The Capital & Regional Employee Share Ownership Trust did not acquire any shares in 2014. At 30 December 2014 the Trust held 1,070,583 shares in the Company. The shares held by the Trust are registered in the nominee name, Forest Nominees Limited and a dividend waiver is in place to cover the entire holding.

Employees

The Group is committed to a policy that treats all of its employees and job applicants equally. No employee or potential employee receives less favourable treatment or consideration on the grounds of race, colour, religion, nationality, ethnic origin, sex, sexual orientation, marital status, or disability. Nor is any employee or potential employee disadvantaged by any conditions of employment or requirements of the Group that cannot be justified as necessary on operational grounds.

We give full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by people with disabilities. We endeavour to retain the employment of, and arrange suitable retraining for, any employee who becomes disabled during their employment as well as providing training, career development and promotion to disabled employees wherever appropriate.

During the year, the Group maintained arrangements to provide employees with information on matters of concern to them, to regularly consult employees for views on matters affecting them, to encourage employee involvement in the Group's performance through share schemes, and to make all employees aware of financial and economic factors affecting the performance of the Group.

At 30 December 2014 the total number of employees was as follows:

Employees	Male	Female	Total
Directors[1]	10	–	10
Employees – CRPM	27	30	57
Employees – The Mall	24	89	113
Employees – Snozone	174	79	253

1 The Group defines its senior management as the members of the executive committee which currently consists of the four executive directors.

Use of financial derivatives
The use of financial derivatives is set out in note 18 to the financial statements.

Political donations
The Group has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Human rights
The Group operates in the UK, Jersey and Germany and, as such, is subject to the European Convention on Human Rights and the UK Human Rights Act 1998.

The Group respects all human rights and in conducting its business the Group regards those rights relating to non-discrimination, fair treatment and respect for privacy to be the most relevant and to have the greatest potential impact on its key stakeholder groups of customers, employees and suppliers.

The Board has overall responsibility for ensuring the Group upholds and promotes respect for human rights. The Group seeks to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through its policies and procedures and, in particular, through its policies regarding employment, equality and diversity, treating its stakeholders and customers fairly and information security. Group policies seek to ensure that employees comply with the relevant legislation and regulations in place to promote good practice. The Group's policies are formulated and kept up to date and communicated to all employees through the Staff Policy Manual. The Group has not been made aware of any incident in which the organisation's activities have resulted in an abuse of human rights.

Going concern
The strategic review discusses the Group's business activities, together with the factors likely to affect its future development, performance and position and sets out the financial position of the Group, its cash flows and liquidity. Note 18 of the financial statements sets out the Group's objectives, policies and processes for managing capital and its financial risk management objectives, together with details of financial instruments and exposure to credit risk and liquidity risk.

The Group has available financial facilities and a positive cash position. The Board has prepared forecasts, including sensitivity analysis, which demonstrates that the Group will continue to operate within its available resources. After reviewing this analysis the Board believes that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the financial statements are prepared on the going concern basis.

Auditor's information
The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming AGM.

2015 Annual General Meeting
A separate document, the Notice of Annual General Meeting 2015, covering the Annual General Meeting of the Company to be held on 12 May 2015 at 10:00 am, will be sent or made available to all shareholders and will contain an explanation of the business before that meeting.

Electronic proxy voting
Registered shareholders have the opportunity to submit their votes (or abstain) on all resolutions proposed at the Annual General Meeting by means of an electronic voting facility operated by the Company's registrar, Equiniti Limited. This facility can be accessed by visiting www.sharevote.co.uk. CREST members may appoint a proxy or proxies by using the CREST electronic appointment service.

Electronic copies of the annual report and financial statements and other publications
Copies of the 2014 annual report and financial statements, the notice of Annual General Meeting, other corporate publications, press releases and announcements are available on the Group's website at capreg.com.

By order of the Board

Stuart Wetherly
Company Secretary
26 March 2015

Registered Company name: Capital & Regional plc
Registered Company number: 01399411
Registered office: 52 Grosvenor Gardens, London SW1W 0AU

Capital & Regional

Financial Statements

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of directors on 26 March 2015 and is signed on its behalf by:

Hugh Scott-Barrett
Chief Executive

Charles Staveley
Group Finance Director
26 March 2015

Independent Auditor's Report

to the members of Capital & Regional plc

Opinion on financial statements of Capital & Regional plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the related notes 1 to 32, the Company Balance Sheet and the related notes A to G. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the directors' report on page 67 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent Auditor's Report

to the members of Capital & Regional plc Continued

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	Our response
Property valuations The valuation of investment property is dependent upon a number of assumptions and judgements, such as occupancy rates, lease incentives, break clauses and yields. Changes in these assumptions and judgements could lead to significant movements in property values and consequently unrealised gains or losses in the consolidated income statement. The accounting policy for investment property is set out in note 1 to the Group financial statements.	• We met with the third party valuers appointed by management to value the property portfolio and challenged the significant judgements and assumptions applied in their valuation model. We verified movements in the key judgements and benchmarked the inputs against market data. We assessed each individual property valuation within the property portfolios. • We assessed the integrity of the information provided to the valuers by management pertaining to rental income, purchasers' costs and occupancy. • We considered the competence and independence of the external valuers.
Acquisition of control of the Mall fund The accounting treatment for the acquisition of control over the Mall fund in 2014 and the calculation of goodwill arising on acquisition has significantly impacted the result of the Group for the year ended 30 December 2014. This has been identified as a new significant risk this year. The Mall fund had net assets of £370.6 million at 14 July 2014, the date of acquisition of control, and £377.2 million at 30 December 2014. Disclosure of the acquisition is set out in note 25 to the Group financial statements. The accounting policy for acquisitions is set out in note 1 to the Group financial statements.	• We audited the basis of accounting for the acquisition, including the calculation of the goodwill arising on acquisition. • We obtained and reviewed the legal documentation prepared for the acquisition of control of The Mall fund by the Group. • We performed substantive audit procedures upon the acquisition balance sheet. This included auditing the carrying values of investment property and other material balances to assess whether the acquired balances were materially correct. • We audited the consideration payable for the acquisition of control of The Mall through inspection of payments made and agreement to sales contracts.
Going concern and covenant compliance The acquisition of control of The Mall fund was in part financed through utilisation of external loan facilities available to the Group, and the acquisition resulted in the Group acquiring additional external debt held by The Mall fund. The existence of covenants on external loans held by the Group and the ability of the Group to meet the covenant requirements both during the year and for a period of one year from the date of this Auditor's Report is identified as a significant risk. External borrowings had a carrying value of £396.8 million at 30 December 2014. Management's consideration of the going concern basis of preparation is set out in note 1 to the Group financial statements.	• We challenged the judgements and assumptions applied by management in their going concern assessment and associated forecasts of financial performance, financial position and covenant compliance including examining current business and economic trends and significant developments during and subsequent to the year ended 30 December 2014.

Risk	Our response
Revenue recognition Revenue recognition, including the potential recognition and provision of management performance fees and the accuracy of their calculation in respect of the property portfolios and accounting for lease incentives is identified as a significant risk. The calculation of lease incentives involves complex calculations and the recognition of performance fees requires judgement as to when the recognition criteria are met, including the performance of the property portfolio against a benchmark index. The accuracy of the performance fee and lease incentive calculations are identified as significant risks over revenue. Performance fees within the Group total £6.8 million in 2014, disclosed in note 2b to the Group financial statements. Lease incentives had a carrying value of £19.3 million at 30 December 2014, disclosed in note 13 to the Group financial statements. The accounting policies for performance fees and lease incentives are set out in note 1 to the Group financial statements.	• We challenged the appropriateness of the Group's revenue recognition in respect of performance fees. We have agreed the required internal rate of return for the recognition of a performance fee for each management contract to the underlying agreement and compared it against the current forecast investment return based on the property valuations at 30 December 2014 and forecast value movements. • We have performed our audit testing for lease incentives by verifying the mechanical accuracy of calculations and agreeing inputs to the lease contacts. Our work was focused upon identifying unusual or complex lease contracts to consider whether they were correctly accounted for under IAS 17: 'Leases', and new contracts to assess the completeness of the lease incentive calculations.
Impairment of company only investments There is a risk of impairment of the investments and intercompany debtors in the parent Company balance sheet. In particular, this relates to the reasonableness of cash flow forecasts which support investments held at above net asset value of the subsidiaries. Investments had a carrying value of £333.5 million at 30 December 2014, comprising 70% of the parent company's assets. Intercompany debtors had a carrying value of £138.9 million at 30 December 2014, comprising 29% of the parent company's assets. The accounting policies for both investments and intercompany debtors are set out in note A to the parent company financial statements.	• We challenged management's investment impairment model and the cash flow forecasts employed therein including comparison of the input assumptions to externally and internally derived data. The inputs considered included the cash flow projections and discount rates. • We considered the sensitivity of the model to changes in key assumptions. • We also assessed whether the forecasts employed are consistent with those used to support other judgements in the financial statements.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee as detailed on page 47.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £6 million, which is below 2% of total equity attributable to equity holders of the parent. For the audit of the financial statements for the year ended 30 December 2013, we applied a materiality of £3 million, which was below 2% of total equity attributable to equity holders of the parent. The increase in the materiality results from the full consolidation of The Mall fund for the first time for the year ended 30 December 2014, significantly increasing the net assets of the Group.

Independent Auditor's Report

to the members of Capital & Regional plc Continued

Our application of materiality continued
As a result of the acquisition we have reconsidered the appropriate basis for determining materiality. In addition to equity described above, we also consider Operating Profit (as defined in note 1 to the Group financial statements) to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, is the basis of the discussion of financial performance in the Strategic Report and is a metric used by analysts. We applied a lower threshold of £0.9 million for testing of all balances impacting this financial performance measure, which is 5% of Operating Profit attributable to equity holders of the parent.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £120,000 (2013: £60,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component levels.

Our Group audit scope focused primarily on the audit work on the major lines of business. These major lines of business are The Mall Limited Partnership, the Germany joint venture held for sale at 30 December 2014 and Snozone Limited, which are individual IFRS 8 segments as disclosed in note 2 to the Group financial statements. Other major lines of business for scoping purposes include the Kingfisher Limited Partnership, incorporated into the Other UK Shopping Centre segment, and Capital & Regional Property Management Limited, which is incorporated into the Group/Central segment in note 2 to the Group financial statements. The Waterside Lincoln Limited Partnership, formerly incorporated into the Other Shopping Centre segment, was disposed of on 12 November 2014 and was subject to our audit procedures to that date. Garigal Asset Management GmbH, formerly incorporated into the Group/Central segment in note 2 to the Group financial statements, was disposed of on 4 October 2014 and was subject to review procedures to that date.

All of the above were subject to a full scope audit with the exception of the Germany joint venture, Garigal Asset Management GmbH and the Kingfisher Limited Partnership, which were subject to specific audit procedures around significant audit risks and key balances including investment property and loans payable.

The businesses subject to a full audit or specific audit procedures account for 97% of the Group's net assets (2013: 100%), 99% of the Group's revenue (2013: 100%) and 99% of the Group's Operating Profit (2013: 100%). All investment properties have been included within the scope of our work. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The Germany joint venture is audited by a component auditor which follows instruction by the Group audit team and is visited annually by a senior member of the Group audit team. The German joint venture accounts for 30% of Operating Profit and 10% of net assets in the year. The remaining components are audited by the Group audit team. Our audit work at each component was executed at levels of materiality applicable to each individual entity which were between 3% and 95% of Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Georgina Robb FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 March 2015

Consolidated Income Statement

For the year ended 30 December 2014

	Notes	2014 £m	2013[1] £m
Continuing operations			
Revenue	3	**46.6**	17.6
Cost of sales	4	**(18.2)**	(8.0)
Gross profit		**28.4**	9.6
Administrative costs		**(11.0)**	(11.5)
Share of profit in associates and joint ventures	14a	**10.2**	8.3
Acquisition of Mall units	25	**8.1**	–
Gain on revaluation of investment properties	10a	**36.9**	–
Other gains and losses	6	**4.4**	1.0
Profit on ordinary activities before financing		**77.0**	7.4
Finance income	5	**0.4**	0.3
Finance costs	5	**(10.2)**	(0.4)
Profit before tax	6	**67.2**	7.3
Tax credit	8a	**2.5**	0.2
Profit for the year from continuing operations		**69.7**	7.5
Discontinued operations			
Profit for the year from discontinued operations	26	**5.5**	1.6
Profit for the year		**75.2**	9.1
Attributable to:			
Equity holders of the parent		**73.7**	9.1
Non-controlling interest		**1.5**	–
		75.2	9.1
Continuing operations			
Basic earnings per share	9a	**14p**	2p
Diluted earnings per share	9a	**13p**	2p
Continuing and discontinued operations			
Basic earnings per share	9a	**15p**	3p
Diluted earnings per share	9a	**15p**	3p

Consolidated Statement of Comprehensive Income

For the year to 30 December 2014

	2014 £m	2013 £m
Profit for the year	**75.2**	9.1
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(2.8)**	0.8
Gain/(loss) on a hedge of a net investment taken to equity	**1.7**	(0.7)
Total items that may be reclassified subsequently to profit or loss:	**(1.1)**	0.1
Total comprehensive income for the year	**74.1**	9.2
Attributable to:		
Equity holders of the parent	**72.6**	9.2
Non-controlling interest	**1.5**	–
	74.1	9.2

There are no items in other comprehensive income that may not be reclassified to profit or loss.

[1] 2013 results have been restated to separate discontinued operations as explained in Note 26.

Consolidated Balance Sheet

At 30 December 2014

	Note	2014 £m	2013 £m
Non-current assets			
Investment properties	10	**790.8**	–
Plant and equipment	11	**0.7**	0.7
Fixed asset investments	26	**2.7**	–
Receivables	13	**17.9**	22.8
Investment in associates	14b	**13.6**	112.1
Investment in joint ventures	14c	**–**	32.3
Total non-current assets		**825.7**	167.9
Current assets			
Receivables	13	**16.1**	6.8
Cash and cash equivalents	15	**42.6**	11.1
Assets classified as held for sale	26	**39.5**	8.5
Total current assets		**98.2**	26.4
Total assets	2b	**923.9**	194.3
Current liabilities			
Trade and other payables	16	**(41.8)**	(4.3)
Current tax liabilities		**–**	(0.2)
Liabilities directly associated with assets held for sale	26	**(0.8)**	(0.1)
Total current liabilities		**(42.6)**	(4.6)
Net current assets		**55.6**	21.8
Non-current liabilities			
Bank loans	17a	**(396.8)**	–
Other payables	16	**(0.1)**	(0.1)
Obligations under finance leases	27	**(65.4)**	–
Deferred tax liabilities	8d	**–**	(0.9)
Total non-current liabilities		**(462.3)**	(1.0)
Total liabilities	2b	**(504.9)**	(5.6)
Net assets		**419.0**	188.7
Equity			
Share capital	19	**7.0**	9.9
Share premium		**157.2**	–
Other reserves		**61.5**	62.6
Capital redemption reserve		**4.4**	4.4
Own shares held	21	**(0.6)**	(0.7)
Retained earnings		**189.5**	112.5
Equity shareholders' funds		**419.0**	188.7
Basic net assets per share	23	**£0.60**	£0.54
EPRA triple net assets per share	23	**£0.59**	£0.54
EPRA net assets per share	23	**£0.59**	£0.56

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 26 March 2015 by:

Charles Staveley
Group Finance Director

Consolidated Statement of Changes in Equity

For the year ended 30 December 2014

			Other reserves									
	Share capital £m	Share premium £m	Merger reserve £m	Acquisition reserve £m	Foreign currency reserve £m	Net investment hedging reserve £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 30 December 2012	**9.9**	**–**	**60.3**	**9.5**	**3.6**	**(1.4)**	**4.4**	**(0.7)**	**94.0**	**179.6**	**–**	**179.6**
Profit for the year	–	–	–	–	–	–	–	–	9.1	9.1	–	9.1
Other comprehensive income for the year	–	–	–	–	0.8	(0.7)	–	–	–	0.1	–	0.1
Total comprehensive income for the year	–	–	–	–	0.8	(0.7)	–	–	9.1	9.2	–	9.2
Credit to equity for equity-settled share-based payments (note 20)	–	–	–	–	–	–	–	–	0.8	0.8	–	0.8
Deferred tax on share-based payments (note 8b)	–	–	–	–	–	–	–	–	0.2	0.2	–	0.2
Transfer between reserves	–	–	–	(9.5)	–	–	–	–	9.5	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Other movements	–	–	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Balance at 30 December 2013	**9.9**	**–**	**60.3**	**–**	**4.4**	**(2.1)**	**4.4**	**(0.7)**	**112.5**	**188.7**	**–**	**188.7**
Profit for the year	–	–	–	–	–	–	–	–	73.7	73.7	1.5	75.2
Other comprehensive loss for the year	–	–	–	–	(2.8)	1.7	–	–	–	(1.1)	–	(1.1)
Total comprehensive income for the year	–	–	–	–	(2.8)	1.7	–	–	73.7	72.6	1.5	74.1
Credit to equity for equity-settled share-based payments (note 20)	–	–	–	–	–	–	–	–	0.5	0.5	–	0.5
Deferred tax on share-based payments (note 8b)	–	–	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
New shares issued (note 19)	3.5	157.2	–	–	–	–	–	–	–	160.7	–	160.7
Dividends paid (note 32)	–	–	–	–	–	–	–	–	(3.8)	(3.8)	–	(3.8)
Repurchase and cancellation of deferred shares (note 19)	(6.4)	–	–	–	–	–	–	–	6.4	–	–	–
Adjustment arising from change in non-controlling interest	–	–	–	–	–	–	–	–	0.5	0.5	(1.5)	(1.0)
Other movements	–	–	–	–	–	–	–	0.1	(0.1)	–	–	–
Balance at 30 December 2014	**7.0**	**157.2**	**60.3**	**–**	**1.6**	**(0.4)**	**4.4**	**(0.6)**	**189.5**	**419.0**	**–**	**419.0**

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.

The acquisition reserve of £9.5 million related to the purchase of the entire ordinary share capital of Morrison Merlin Limited in 2005, prior to which it had been a joint venture in which the Group had a 50% interest. The reserve was transferred to retained earnings on disposal of Morrison Merlin Limited in October 2013.

The foreign currency reserve of £1.6 million and the net investment hedging reserve deficit of £(0.4) million respectively show foreign exchange translation differences from the Group's investment in its German joint venture and the net investment hedge of that investment.

Consolidated Cash Flow Statement

For the year ended 30 December 2014

	Note	**2014 £m**	2013 £m
Operating activities			
Net cash from operations	22	**22.5**	(1.4)
Distributions received from associates	14b	**1.5**	1.7
Distributions received from joint ventures	14c	**5.3**	0.2
Interest paid		**(8.7)**	(4.2)
Interest received		**0.4**	0.2
Income taxes received/(paid)		**0.4**	(1.2)
Cash flows from operating activities		**21.4**	(4.7)
Investing activities			
Acquisition of Mall units (net of cash acquired within The Mall)		**(220.1)**	–
Disposal of Waterside Lincoln Limited Partnership	14c	**14.8**	–
Disposal of Leisure World, Hemel Hempstead	26	**8.4**	–
Disposal of Morrison Merlin Limited	26	**–**	12.0
Disposal of interest in X-Leisure	26	**–**	30.6
Other disposals		**0.2**	1.0
Purchase of plant and equipment	11	**(0.4)**	(0.2)
Capital expenditure on investment properties		**(2.4)**	–
Investment in joint ventures		**(0.4)**	–
Investment in associates	14b	**–**	(29.3)
Loans to joint ventures		**(0.5)**	(1.0)
Loans repaid by joint ventures		**0.8**	0.2
Cash flows from investing activities		**(199.6)**	13.3
Financing activities			
Dividends paid	32	**(3.8)**	(0.9)
Bank loans drawn down		**68.1**	–
Bank loans repaid		**(14.7)**	(1.0)
Loan arrangement costs		**(1.5)**	–
Proceeds on issue of new shares	19	**160.7**	–
Repurchase of own shares		**–**	(0.3)
Settlement of forward foreign exchange contract		**0.9**	(0.6)
Cash flows from financing activities		**209.7**	(2.8)
Net increase in cash and cash equivalents		**31.5**	5.8
Cash and cash equivalents at the beginning of the year		**11.1**	5.3
Cash and cash equivalents at the end of the year	15	**42.6**	11.1

Notes to the Financial Statements

For the year ended 30 December 2014

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 address of the registered office is 52 Grosvenor Gardens, London, SW1W 0AU. The nature of the Group's operations and its principal activities are disclosed in note 2a and in the Operating and Financial Reviews.

Basis of accounting

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 32. They are prepared on the historical cost basis except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of the reporting year, as explained in the accounting policies below. Other than as noted in the 'Accounting developments and changes' section below, the accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities, income and expenses.

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

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

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

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the accounting policies set out below.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

Accounting developments and changes

The accounting policies are consistent with those applied in the year ended 30 December 2013, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 30 December 2014.

The following accounting standards or interpretations were adopted for the year ended 30 December 2014 but have not had a material impact on the Group:

- IAS 1 (amendment) 'Presentation of Financial Statements'
- IAS 12 (amendment) 'Income Tax'
- IAS 19 (revised) 'Employee Benefits'
- IFRS 7 (amendment) 'Financial Instruments: Disclosures' (offsetting requirement and converged disclosure)
- IFRS 13 'Fair Value Measurement'

1 Significant accounting policies continued

Accounting developments and changes continued

Below are details of accounting standards and interpretations which have been issued but are not yet effective, or have not yet been endorsed by the EU, which may be relevant to the Group. None of these standards or interpretations have been early adopted by the Group. The Group is in the process of assessing the impact of these new standards and interpretations on its financial reporting. None of these standards are expected to have a significant impact on the Group's reporting, although some may require additional disclosures to be included in the notes to the financial statements.

Issued, not yet effective and not yet endorsed for use in the EU:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from contracts with customers'

Issued and endorsed for use in the EU, but not yet effective:

- IAS 36 (amendment) 'Impairment of Assets'
- IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement'
- IFRS 10 'Consolidated Financial Statements' IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Associates and Joint Ventures'
- IAS 32 (amendment) 'Financial instruments: Presentation' (assets and liability offsetting)
- Amendments to IFRS 10, IFRS 11, IFRS 12 (transition guidance)
- IAS 24 (amendments resulting from Annual Improvements 2010-2012 Cycle)
- IAS 40 (amendments resulting from Annual Improvements 2011-2013 Cycle)
- IAS 16 (amendments regarding the clarification of acceptable methods of depreciation and amortisation)

Going concern

The Group prepares cash flow and covenant compliance forecasts to demonstrate that it has adequate resources available to continue in operation for the foreseeable future, being at least 12 months from the date of this report. In these forecasts the directors specifically consider anticipated future market conditions and the Group's principal risks and uncertainties. The directors believe that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the annual report and financial statements.

Further detail is contained within the Financial Review. The Group's borrowing facilities and its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risks are provided in notes 17 and 18 of the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Property valuation

Reliance upon the work undertaken at 30 December 2014 by independent professional qualified valuers, as disclosed in note 10c, in assessing the fair value of certain of the Group's investment properties.

Derivative financial instruments

Reliance upon the work undertaken at 30 December 2014 by independent third party experts in assessing the fair values of the Group's derivative financial instruments, which are disclosed in notes 13 and 18f.

Notes to the Financial Statements continued

For the year ended 30 December 2014

1 Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Lease classification

Consideration of the potential transfer of risks and rewards of ownership in accordance with IAS 17 Leases for all properties leased to tenants. The directors have determined that all such leases are operating leases.

Performance fees

Consideration of the amounts liable and/or receivable under Performance Fee or other similar incentive arrangements. See note 31 for further details.

Taxation

An assessment of the likelihood that potential historic tax liabilities will arise as well as the impact of changes in recent legislation, case law and accounting standards, along with future projections for the Group, in determining the current and deferred tax assets, liabilities and charge to the income statement, as disclosed in note 8.

Compliance with Real Estate Investment Trust (REIT) taxation regime

Immediately after the year end the Group converted to a group REIT on 31 December 2014. As a result, the Group will no longer pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions (these are summarised in note 8). A judgement is therefore required that the Group will continue to meet the qualifying conditions.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company at 30 December. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The Mall Fund has been consolidated from 14 July 2014 being the date upon which the Group completed the acquisition of a controlling stake (see note 25 for further details). Up until that date it was accounted for as an Associate. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. The reporting year for subsidiaries and affiliates ends on 31 December and their financial statements are consolidated from this date. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate at the date of exchange of the fair values of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred. Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the remeasurement period or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information and is subject to a maximum of one year.

Assets held for sale

Assets held for sale are measured at the lower of carrying amount and realisable value with associated costs of sale shown separately as liabilities. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The Group considers all of its assets held for sale to fall within 'Level 2', as defined in note 1.

1 Significant accounting policies continued

Investments in associates and joint ventures

A joint venture is an entity over which the Group has joint control, which is the contractually agreed sharing of control over an economic activity which exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In accordance with IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures, associates and joint ventures are accounted for under the equity method, whereby the consolidated balance sheet and income statement incorporate the Group's share of net assets and profits or losses after tax. The profits or losses include revaluation movements on investment properties. Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the associate and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

The reporting year for associates and joint ventures ends on 31 December and their financial statements are equity accounted to this date. In accordance with IAS 39 Financial Instruments: Recognition and Measurement, associates and joint ventures are reviewed at the end of the reporting year to determine whether any impairment loss should be recognised.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired and is measured as the excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any equity interest in the entity already held by the acquirer over the net of the acquisition date amounts of identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. The impairment is calculated on the value in use of the goodwill and is recognised immediately in the income statement and not subsequently reversed.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date and, unless they relate to the hedging of the net investment in foreign operations, differences arising on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the year. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction. The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year: £1 = €1.2783 (2013: £1 = €1.1995). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.2402 (2013: £1 = €1.1775).

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the foreign currency reserve and the effective portions of related foreign currency hedges are taken to the net investment hedging reserve. The net investment in foreign operations includes the equity of the underlying entities and the portion of shareholder loans to those entities that is treated as equity where there is no intention of repayment in the foreseeable future. All exchange differences previously accumulated in equity are transferred to the income statement upon disposal or, where control is lost, part-disposal of the foreign operation.

Notes to the Financial Statements continued

For the year ended 30 December 2014

1 Significant accounting policies continued

Plant and equipment

Plant and equipment is stated at the lower of cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and land, on a straight-line basis over their expected useful lives:

- Leasehold improvements – over the term of the lease
- Fixtures and fittings – over three to five years
- Motor vehicles – over four years

Property portfolio

Investment properties

Investment properties are properties owned or leased under finance leases which are held either for long-term rental income or for capital appreciation or both. Investment property is initially recognised at cost (including directly related transaction costs) and is revalued at the balance sheet date to fair value, being the market value determined by professionally qualified external or director valuers, with changes in fair value being included in the income statement. Valuations are generally carried out twice a year. In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment properties.

Leasehold properties

Leasehold properties that are leased to tenants under operating leases are classified as investment properties or development properties, as appropriate, and included in the balance sheet at fair value.

Refurbishment expenditure

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is expensed as incurred.

Property transactions

Acquisitions and disposals are accounted for at the date of legal completion. Investment properties are reclassified as held for sale once contracts have been exchanged and are transferred between categories at the estimated market value on the transfer date. Properties held for sale are shown at fair value less costs of disposal.

Trading properties

Properties held with the intention of disposal are valued at the lower of cost and net realisable value. Any impairment in the value of trading properties is shown within the cost of sales line in the income statement.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Incentives and costs associated with entering into tenant leases are amortised on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the years in which they are incurred.

1 Significant accounting policies continued

Leases continued

Head leases

Where an investment property is held under a head lease, the head lease is initially recognised as an asset at the present value of the minimum ground rent payable under the lease. The corresponding rent liability to the leaseholder is included in the balance sheet as a finance lease obligation.

Fixed asset investments

Fixed asset investments are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity' investments, 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount in initial recognition.

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Trade receivables

Trade receivables are carried at the original invoice amount less allowances made for doubtful accounts. An allowance for doubtful accounts is recorded for the difference between the carrying value and the recoverable amount where there is objective evidence that the Group will not be able to collect all amounts due. Discounts and similar allowances are recorded on an accrual basis consistent with the recognition of the related sales, using estimates based on existing contractual obligations, historical trends and the Group's experience. Long-term accounts receivable are discounted to take into account the time value of money, where material.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. In accordance with IAS 39 Financial Instruments: Recognition and Measurement, a substantial modification of the terms of an existing borrowing is accounted for as an extinguishment of the original liability and the recognition of a new liability. Where the terms of the modification are not substantially different, any costs paid in connection with the modification are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining life of the modified liability.

Notes to the Financial Statements continued

For the year ended 30 December 2014

1 Significant Accounting Policies continued

Financial liabilities continued

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The fair value of forward foreign exchange contracts is calculated by reference to spot and forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated by reference to appropriate forecasts of yield curves between the balance sheet date and the maturity of the instrument. Changes in fair value are included as finance income or finance costs in the income statement, except for gains or losses on the portion of an instrument that is an effective hedge of the net investment in a foreign operation, which are recognised in the net investment hedging reserve. Derivative financial instruments are classified as non-current when they have a maturity of more than twelve months and are not intended to be settled within one year.

Trade payables

Trade payables are carried at fair value, with any gains or losses arising on remeasurement recognised in the income statement.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Employee benefits

Pension costs

Pension liabilities, all of which relate to defined contribution schemes, are charged to the income statement as incurred.

Share-based payments

The Group has applied the arrangements of IFRS 2 Share-based Payment. Equity settled share-based payments are measured at fair value at the date of grant. The fair values of the LTIP and the SAYE scheme are calculated using Monte Carlo simulations or the Black-Scholes model as appropriate. The fair values are dependent on factors including the exercise price, expected volatility, period to exercise and risk free interest rate. Market related performance conditions are reflected in the fair values at the date of grant and are expensed on a straight-line basis over the vesting period. Non-market related performance conditions are not reflected in the fair values at the date of grant. At each reporting date, the Group estimates the number of shares likely to vest under non-market related performance conditions so that the cumulative expense will ultimately reflect the number of shares that do vest. Where awards are cancelled, including when an employee ceases to pay contributions into the SAYE scheme, the remaining fair value is expensed immediately.

Own shares

Own shares held by the Group are shown as a deduction from shareholders' funds and included in other reserves. The cost of own shares is transferred to retained earnings when shares in the underlying incentive schemes vest. The shares are held in an Employee Share Ownership Trust.

Revenue

The Group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Gross rental income

Gross rental income is rental income adjusted for tenant incentives, recognised on a straight-line basis over the term of the underlying lease.

Ancillary income

Ancillary income comprises rent and other income from short term tenancies of mobile units, car park income and other sundry income and is recognised over the period of the lettings and contracts.

Service charge

Service charge income represents recharges of the running costs of the shopping centres made to tenants.

1 Significant Accounting Policies continued

Revenue continued

Management fees

Management fees are recognised, in line with the property management contracts, in the year to which they relate. They include income in relation to services provided by CRPM to associates and joint ventures for asset and property management, project co-ordination, procurement, and management of service charges and directly recoverable expenses.

Dividend and interest income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Performance fees

Performance fees are recognised as revenue by the Group or the relevant associate or joint venture when both the amount of performance fee and the stage of completion of the relevant performance conditions can be measured reliably, and when it is probable that the performance fee will be received.

Provisions for performance fees payable by the underlying subsidiary, associate or joint venture are made when there is a present obligation to settle the performance fee, its amount can be measured reliably and it is probable that it will be paid. Further disclosure on performance fees is included in note 31.

Finance costs

All borrowing costs are recognised under finance costs in the income statement in the year in which they are incurred. Finance costs also include the amortisation of loan issue costs, any loss in the value of the Group's wholly-owned interest rate swaps and any loss in the ineffective portion of the Group's hedge of its net investment in a foreign operation.

Operating segments

The Group's results for the year from its Germany segment have been classified as Discontinued Operations with the prior year comparatives restated following its reclassification as held for sale at 24 December 2014 and its subsequent disposal. The results of Discontinued Operations in the prior year also include the Group's share of results from its Leisure segment consisting of its interests in Great Northern Warehouse and Hemel Hempstead. See note 26 for further details.

Following the acquisition of a controlling stake in The Mall and the disposal of the Group's interest in Garigal Asset Management GmbH the significant majority of Property Management income is now generated intra Group and as such it has been concluded that maintaining it as a distinct operating segment is no longer appropriate. The results are therefore now presented together with what was previously 'Group items' as 'Group/Central'. This reflects the manner in which management account information is presented to the Board. The results for the year ended 30 December 2013 in note 2a have been restated on this basis.

As a result of the above changes the Group's remaining reportable segments under IFRS 8 are The Mall, Other UK Shopping Centres consisting of The Waterside Lincoln Limited Partnership until its disposal and Kingfisher Limited Partnership (Redditch), Snozone and Group/Central. Group/Central includes management fee income, Group overheads incurred by Capital & Regional Property Management, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

The Mall 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 funds or schemes respectively. The split of revenue between these classifications satisfies the requirement of IFRS 8 to report revenues from different products and services. Depreciation and charges in respect of share-based payments represent the only significant non-cash expenses.

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.

Inter-segment revenue and expenses represent items eliminated on consolidation and are accounted for on an arm's length basis. Management fees and other revenue items in the property management segment are earned from the asset business segments, where they are included under property and void costs. Where these relate to assets that are proportionately consolidated, the costs do not eliminate against the income and have therefore not been split out separately as inter-segment expenses.

Notes to the Financial Statements continued

For the year ended 30 December 2014

1 Significant Accounting Policies continued

Operating Profit

Operating Profit is the total of Contribution from The Mall 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) before tax. Operating 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.

2a Operating segments

		UK Shopping Centres						
Year to 30 December 2014	Note	The Mall £m	Other UK Shopping Centres £m	Snozone £m	Group/ Central £m	**Total Continuing Operations £m**	Discontinued Operations £m	**Total £m**
Rental income from external sources	2b	35.6	3.1	–	–	**38.7**	11.6	**50.3**
Property and void costs		(10.4)	(1.1)	–	–	**(11.5)**	(2.1)	**(13.6)**
Net rental income		25.2	2.0	–	–	**27.2**	9.5	**36.7**
Interest income		–	–	–	–	**–**	–	**–**
Interest expense		(10.6)	(1.3)	–	–	**(11.9)**	(3.8)	**(15.7)**
Contribution		14.6	0.7	–	–	**15.3**	5.7	**21.0**
Management fees/Snozone income	2b	–	–	9.9	7.3	**17.2**	–	**17.2**
Management expenses		–	–	(8.6)	(8.4)	**(17.0)**	–	**(17.0)**
Depreciation		–	–	(0.1)	(0.1)	**(0.2)**	–	**(0.2)**
Interest expense on central facility		–	–	–	(1.1)	**(1.1)**	–	**(1.1)**
Variable overhead (excluding non-cash items)		–	–	–	(1.1)	**(1.1)**	–	**(1.1)**
Lincoln performance fees		–	(0.4)	–	0.9	**0.5**	–	**0.5**
Operating Profit/(Loss)		14.6	0.3	1.2	(2.5)	**13.6**	5.7	**19.3**
Inter-segment eliminations	2b	2.6	–	–	(2.6)	**–**	–	**–**
Acquisition of Mall units (including Mall performance fees)	25	5.3	–	–	2.8	**8.1**	–	**8.1**
Share based payments		–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Revaluation of properties		42.0	1.2	–	–	**43.2**	(0.5)	**42.7**
Profit on disposal		0.1	4.7	–	–	**4.8**	–	**4.8**
(Loss)/gain on financial instruments		(0.3)	(0.3)	–	–	**(0.6)**	0.9	**0.3**
Other items		–	(0.2)	–	(1.0)	**(1.2)**	(0.6)	**(1.8)**
Profit/(loss) before tax		64.3	5.7	1.2	(4.0)	**67.2**	5.5	**72.7**
Tax credit	8a				2.5	**2.5**	–	**2.5**
(Loss)/profit after tax					(1.5)	**69.7**	5.5	**75.2**
Total assets	2b	857.6	32.1	2.7	7.8	**900.2**	42.2	**942.4**
Total liabilities	2b	(480.4)	(18.5)	(1.7)	(22.0)	**(522.6)**	(0.8)	**(523.4)**
Net assets/(liabilities)		377.2	13.6	1.0	(14.2)	**377.6**	41.4	**419.0**

2a Operating segments continued

Year to 30 December 2013[1]	Note	UK Shopping Centres: The Mall £m	UK Shopping Centres: Other UK Shopping Centres £m	Snozone £m	Group/ Central £m	**Total Continuing Operations £m**	Discontinued Operations £m	**Total £m**
Rental income from external sources	2b	13.6	4.5	–	–	**18.1**	18.5	**36.6**
Property and void costs		(4.4)	(0.9)	–	–	**(5.3)**	(3.2)	**(8.5)**
Net rental income		9.2	3.6	–	–	**12.8**	15.3	**28.1**
Interest income		–	–	–	–	**–**	0.6	**0.6**
Interest expense		(5.1)	(1.5)	–	–	**(6.6)**	(9.2)	**(15.8)**
Contribution		4.1	2.1	–	–	**6.2**	6.7	**12.9**
Management fees/Snozone income	2b	–	–	9.0	9.9	**18.9**	–	**18.9**
Management expenses		–	–	(7.9)	(9.5)	**(17.4)**	–	**(17.4)**
Depreciation		–	–	(0.1)	(0.1)	**(0.2)**	–	**(0.2)**
Interest expense on central facility		–	–	–	(0.2)	**(0.2)**	–	**(0.2)**
Variable overhead (excluding non-cash items)		–	–	–	(1.0)	**(1.0)**	–	**(1.0)**
Operating Profit/(Loss)		4.1	2.1	1.0	(0.9)	**6.3**	6.7	**13.0**
Inter-segment eliminations	2b	–	–	–	0.1	**0.1**	(0.1)	**–**
Share-based payments		–	–	–	(0.8)	**(0.8)**	–	**(0.8)**
Revaluation of properties		(0.5)	1.2	–	–	**0.7**	(2.5)	**(1.8)**
(Loss)/profit on disposal		(4.2)	–	–	1.0	**(3.2)**	(2.4)	**(5.6)**
Impairment of Euro B-Note		–	–	–	–	**–**	(2.4)	**(2.4)**
Gain on financial instruments		2.9	0.6	–	–	**3.5**	3.0	**6.5**
Other items		2.0	–	(0.1)	(1.2)	**0.7**	(0.8)	**(0.1)**
Profit/(loss) before tax		4.3	3.9	0.9	(1.8)	**7.3**	1.5	**8.8**
Tax credit	8a				0.2	**0.2**	0.1	**0.3**
(Loss)/profit after tax					(1.6)	**7.5**	1.6	**9.1**
Total assets	2b	243.7	54.6	2.5	16.8	**317.6**	198.0	**515.6**
Total liabilities	2b	(143.3)	(33.3)	(1.1)	(4.6)	**(182.3)**	(144.6)	**(326.9)**
Net assets/(liabilities)		100.4	21.3	1.4	12.2	**135.3**	53.4	**188.7**

[1] 2013 results have been restated to separate discontinued operations as explained in note 26.

Notes to the Financial Statements continued

For the year ended 30 December 2014

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	Year to 30 December 2014 £m	Year to 30 December 2013[1] £m
Rental income from external sources	2a	**38.7**	18.1
Service charge income		**5.4**	0.1
Management fees	2a	**7.3**	9.9
Performance fees		**6.8**	–
Snozone income	2a	**9.9**	9.0
Revenue for reportable segments – continuing operations		**68.1**	37.1
Elimination of inter-segment revenue	2a	**(2.6)**	–
Elimination of inter-segment performance fees		**(5.9)**	–
Rental income earned by associates and joint ventures		**(12.2)**	(18.1)
Management fees earned by associates and joint ventures		**(0.8)**	(1.4)
Revenue per consolidated income statement – continuing operations	3	**46.6**	17.6
Revenue for reportable segments by country – continuing operations			
UK		**67.3**	35.7
Germany		**0.8**	1.4
Revenue for reportable segments – continuing operations		**68.1**	37.1

[1] 2013 results have been restated to separate discontinued operations as explained in note 26.

Revenue is attributed to countries on the basis of the location of the underlying properties. Revenue from the Group's major customer was management fee income from The Mall LP however following the Group taking control of The Mall from 14 July 2014 this has been eliminated on consolidation. The total included in the property management segment up to that date was £2.8 million (2013: £7.3 million) of the Group's total revenue of £46.6 million (2013: £17.6 million). Further information on related party transactions is disclosed in note 31 to the financial statements.

Assets	Note	2014 £m	2013 £m
Total assets of reportable segments	2a	**942.4**	515.6
Adjustment for associates and joint ventures		**(18.5)**	(321.3)
Group assets		**923.9**	194.3
Liabilities			
Total liabilities of reportable segments	2a	**(523.4)**	(326.9)
Adjustment for associates and joint ventures		**18.5**	321.3
Group liabilities		**(504.9)**	(5.6)
Net assets by country			
UK		**377.6**	143.3
Germany (held for sale at 30 December 2014)		**41.4**	45.4
Group net assets		**419.0**	188.7

3 Revenue

Statutory	Note	Year to 30 December 2014 £m	Year to 30 December 2013 £m
Gross rental income		**22.2**	–
Ancillary income		**4.3**	–
		26.5	–
Service charge income		**5.4**	–
Management fees		**4.8**	8.6
Snozone income	2a	**9.9**	9.0
Revenue per consolidated income statement – continuing operations	2b	**46.6**	17.6

Management fees represent revenue earned by the Group's wholly-owned CRPM subsidiary. Fees charged to The Mall after 14 July 2014, being the date the Group took control of the Mall Fund, have been eliminated on consolidation.

4 Cost of sales

	Year to 30 December 2014 £m	Year to 30 December 2013 £m
Property and void costs	**(4.1)**	–
Service charge costs	**(5.4)**	–
Snozone expenses	**(8.7)**	(8.0)
Total cost of sales	**(18.2)**	(8.0)

5 Finance income and costs

	Year to 30 December 2014 £m	Year to 30 December 2013[1] £m
Finance income		
Interest receivable	**0.4**	0.3
Total finance income	**0.4**	0.3
Finance costs		
Amortisation of deferred loan arrangement fees	**(1.0)**	–
Interest payable on bank loans and overdrafts	**(6.1)**	–
Other interest payable	**(0.3)**	(0.4)
Finance lease costs	**(1.7)**	–
Loss in fair value of financial instruments:		
Interest rate caps	**(1.1)**	–
Total finance costs	**(10.2)**	(0.4)

[1] 2013 results have been restated to separate discontinued operations as explained in note 26.

Notes to the Financial Statements continued

For the year ended 30 December 2014

6 Profit before tax

The profit before tax has been arrived at after charging the following items:

	Note	**Year to 30 December 2014 £m**	Year to 30 December 2013 £m
Operating lease charge		**1.6**	1.9
Other gains and losses		**4.4**	1.0
Depreciation of plant and equipment	11	**0.3**	0.3
Staff costs	7	**12.3**	12.1
Auditor's remuneration for audit services (see below)		**0.2**	0.2

In the current year other gains and losses relate to the profit on the sale of the Group's interest in The Waterside Lincoln Limited Partnership of £4.7 million less the £0.3 million loss on disposal of the Group's interest in Garigal Asset Management GmbH (see note 14). Other gains and losses in the prior year related to profit on the sale of land of £0.5 million and profit on the sale of the Group's interest in FIX UK of £0.5 million.

Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year to 30 December 2014 £'000	Year to 30 December 2013 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**104**	114
Fees payable to the Company's auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	**71**	25
Total audit fees for the Company and its subsidiaries	**175**	139
Fees payable to the Company's auditor and its associates for other services to the Group – the audit of the Company's affiliates	**–**	52
Total audit fees	**175**	191
Audit related assurance services (Review of Interim Report)	**43**	40
Corporate finance services (Reporting Accountants on Mall Acquisition)	**138**	–
Total non-audit fees	**181**	40
Total fees paid to auditor and their associates	**356**	231

The fees in relation to the audit of the Company's affiliates have been disclosed gross and have not been pro-rated to reflect the Company's equity investment percentage. No fees were charged in the current or prior year pursuant to contingent fee arrangements.

7 Staff costs

	Note	**Year to 30 December 2014 £m**	Year to 30 December 2013 £m
Salaries		**9.1**	8.6
Loss of office/redundancy payments		**0.3**	0.6
Discretionary bonuses		**1.1**	0.9
Share-based payments	20	**0.5**	0.8
		11.0	10.9
Social security		**1.2**	1.0
Other pension costs		**0.1**	0.2
		12.3	12.1

Except for the directors, the Company has no employees. The costs of the directors shown in the directors' remuneration report are borne by CRPM and appropriate amounts recharged to the Company. £1.1 million of the total staff costs charged in 2014 relates to staff within The Mall, the costs of which are fully recovered in the service charge. In addition to the above, £0.4 million of bonus have been charged as transaction costs when their payment was dependent on the successful completion of the relevant transaction.

7 Staff costs continued

Staff numbers

The monthly average number of employees (including executive directors), being full-time equivalents, employed by the Group during the year was as follows:

	Year to 30 December 2014 Number	Year to 30 December 2013 Number
CRPM/PLC	62	68
The Mall	88	–
Snozone	145	151
Total staff numbers	**295**	219

The monthly average number of total employees (including executive directors) employed within the Group during the year was 399 (CRPM – 64, The Mall – 88, Snozone - 247) compared to 351 in 2013 (CRPM – 70, Snozone – 281). The Mall number has not been pro-rated for the Group's period of ownership.

8 Tax

8a Tax credit

	Note	Year to 30 December 2014 £m	Year to 30 December 2013 £m
Current tax			
UK corporation tax – continuing operations		–	–
UK corporation tax – discontinued operations		–	–
Adjustments in respect of prior years – continuing operations		(1.0)	(0.9)
Foreign tax – continuing operations		–	0.4
Total current tax credit		(1.0)	(0.5)
Deferred tax			
Origination and reversal of temporary timing differences		(1.3)	0.3
Deferred tax credit – discontinued operations	8d	–	(0.1)
Adjustments in respect of prior years – continuing operations		(0.2)	–
Total deferred tax (credit)/charge	8d	(1.5)	0.2
Total tax credit		**(2.5)**	(0.3)
Total tax credit – continuing operations	8c	**(2.5)**	(0.2)
Total tax credit – discontinued operations		–	(0.1)

£nil (2013: £nil) of the tax charge relates to items included in other comprehensive income.

8b Tax charge to equity

	Note	Year to 30 December 2014 £m	Year to 30 December 2013 £m
Current tax			
Excess tax deductions related to share-based payments on exercised options		–	–
Deferred tax			
Arising on transactions with equity participants:			
Change in estimated excess tax deductions related to share-based payments		0.2	(0.2)
Total income tax recognised directly in equity	8d	**0.2**	(0.2)

Notes to the Financial Statements continued

For the year ended 30 December 2014

8 Tax continued

8c Tax charge reconciliation

	Note	**Year to 30 December 2014 £m**	Year to 30 December 2013 £m
Profit before tax on continuing operations		**67.2**	7.3
Profit multiplied by the UK corporation tax rate of 21.5% (2013: 23.25%)		**14.4**	1.7
Non-allowable expenses and non-taxable items		**(4.4)**	(0.7)
Utilisation of tax losses		**(0.7)**	–
Tax on realised gains		**0.1**	0.5
Unrealised losses on investment properties not taxable		**(9.1)**	(0.1)
Temporary timing and controlled foreign companies income		**(1.6)**	(0.7)
Adjustments in respect of prior years		**(1.2)**	(0.9)
Total tax credit	8a	**(2.5)**	(0.2)

8d Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements during the current and preceding year.

	Note	Capital allowances £m	Other timing differences £m	**Total deferred tax asset/liability £m**
At 30 December 2012		(1.8)	0.9	(0.9)
Deferred tax credit/(charge) – continuing operations	8a	0.4	(0.7)	(0.3)
Deferred tax charge to equity – continuing operations	8b	–	0.2	0.2
Deferred tax credit – discontinued operations	8a	–	0.1	0.1
At 30 December 2013		(1.4)	0.5	(0.9)
Deferred tax credit/(charge) – continuing operations		1.5	(0.2)	1.3
Deferred tax charge to equity – continuing operations		–	(0.3)	(0.3)
Deferred tax credit – discontinued operations	8a	–	–	–
At 30 December 2014		**0.1**	**–**	**0.1**

The tax rate was reduced from 23% to 21% (effective from 1 April 2014) and a further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Consequently, the UK corporation tax rate at which deferred tax is booked in the financial statements is 20% (2013: 20%).

No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates and interests in joint ventures of £0.3 million (2013: £0.4 million) as it is not certain that a deduction will be available when the asset crystallises.

8e Unused tax losses

The Group has £7.6 million (2013: £6.6 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 (2013: £0.2 million recognised in respect of £0.8 million of losses). The Group has unused capital losses of £40.6 million (2013: £26.4 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.

8 Tax continued

8e REIT conversion

Immediately after the year end the Group converted to a group REIT on 31 December 2014. As a result, the Group will no longer pay 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.

9 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:

9a Earnings per share calculation

		Year to 30 December 2014			Year to 30 December 2013[1]		
	Note	**Basic**	**Diluted**	**EPRA diluted**	Basic	Diluted	EPRA diluted
Profit (£m)							
Profit for the year from continuing operations		**69.7**	**69.7**	**69.7**	7.5	7.5	7.5
Revaluation of investment properties	9b	**–**	**–**	**(43.2)**	–	–	(0.7)
Profit on disposal of investment properties (net of tax)	9b	**–**	**–**	**(4.8)**	–	–	2.5
Negative goodwill	25	**–**	**–**	**(11.5)**	–	–	–
Acquisition costs	25	**–**	**–**	**3.1**	–	–	–
Movement in fair value of financial instruments (net of tax)	9b	**–**	**–**	**1.0**	–	–	(3.0)
Deferred tax credit on capital allowances	8d	**–**	**–**	**(1.5)**	–	–	(0.4)
Profit from continuing operations		**69.7**	**69.7**	**12.8**	7.5	7.5	5.9
Discontinued operations		**5.5**	**5.5**	**5.1**	1.6	1.6	2.6
Profit		**75.2**	**75.2**	**17.9**	9.1	9.1	8.5
Weighted average number of shares (m)							
Ordinary shares in issue	19	**514.2**	**514.2**	**514.2**	349.8	349.8	349.8
Own shares held		**(1.1)**	**(1.1)**	**(1.1)**	(1.3)	(1.3)	(1.3)
Dilutive contingently issuable shares and share options		**–**	**4.6**	**4.6**	–	2.8	2.8
		513.1	**517.7**	**517.7**	348.5	351.3	351.3
Earnings per share (pence)		**15p**	**15p**	**3p**	3p	3p	2p
Earnings per share (pence) – continuing operations		**14p**	**13p**	**2p**	2p	2p	2p

[1] 2013 results have been restated to separate discontinued operations as explained in note 26.

At the end of the year, the Group had 8,823,758 (2013: 5,358,855) share options and contingently issuable shares granted under share-based payment schemes that could potentially have diluted 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.

Notes to the Financial Statements continued

For the year ended 30 December 2014

9 Earnings per share continued

9b Reconciliation of earnings figures included in earnings per share calculations

		Year to 30 December 2014			Year to 30 December 2013[1]		
	Note	**Revaluation movements £m**	**Profit/(loss) on disposal of investment properties £m**	**Movement in fair value of financial instruments £m**	Revaluation movements £m	Profit/(loss) on disposal of investment properties £m	Movement in fair value of financial instruments £m
Associates	14d	**7.4**	**0.1**	**0.3**	(0.2)	(4.2)	3.4
Joint ventures		**(1.1)**	**4.7**	**0.1**	0.9	–	0.1
Wholly-owned		**36.9**	**–**	**(1.0)**	–	1.0	–
Tax effect		**–**	**–**	**(0.4)**	–	0.7	(0.5)
Total	9a	**43.2**	**4.8**	**(1.0)**	0.7	(2.5)	3.0

[1] 2013 results have been restated to separate discontinued operations as explained in note 26.

10 Investment properties

10a Wholly-owned properties

	Freehold investment properties £m	Leasehold investment properties £m	Sub-total investment properties £m	Freehold trading properties £m	**Total property assets £m**
Cost or valuation					
At 30 December 2012	–	8.4	8.4	70.0	**78.4**
Capital expenditure	–	–	–	0.5	**0.5**
Disposal of freehold trading properties	–	–	–	(70.2)	**(70.2)**
Impairment of trading properties	–	–	–	(0.3)	**(0.3)**
Transfer to held for sale (note 26)	–	(8.4)	(8.4)	–	**(8.4)**
At 30 December 2013	–	–	–	–	**–**
Acquired in business combination (The Mall)	240.3	511.8	752.1	–	**752.1**
Capital expenditure	0.3	1.5	1.8	–	**1.8**
Valuation surplus	16.1	20.8	36.9	–	**36.9**
At 30 December 2014	**256.7**	**534.1**	**790.8**	**–**	**790.8**

10b Property assets summary

	Note	**30 December 2014 Valuation £m**	30 December 2013 Valuation £m
Wholly-owned			
Investment properties at fair value		**744.7**	–
Head leases treated as finance leases on investment properties		**65.4**	–
Unamortised tenant incentives on investment properties		**(19.3)**	–
		790.8	–
Joint ventures (100%)			
Investment properties at fair value		**–**	368.5
Unamortised tenant incentives on investment properties		**–**	(1.3)
	14e	**–**	367.2
Associates (100%)			
Investment properties at fair value		**151.0**	819.7
Head leases treated as finance leases on investment properties		**–**	65.5
Unamortised tenant incentives on investment properties		**(2.1)**	(18.4)
	14d	**148.9**	866.8

The Group's wholly-owned properties at 30 December 2014 are the six shopping centres within The Mall (classified as Associates at 30 December 2013). Included in the assets shown in Joint Ventures at 30 December 2013 were those within the Group's German joint venture which was reclassified to held for sale on 24 December 2014 and hence excluded from this note.

10 Investment properties continued

10c Valuations

External valuations at 30 December 2014 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 £774.9 million of £895.7 million (2013: £411.6 million of £1,188.2 million).

The valuations were carried out by independent qualified professional valuers from CBRE Limited and Cushman & Wakefield 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.

The valuations performed by the independent valuers are reviewed internally by senior management, this includes discussions of the assumptions used by the external valuers, as well as a review of the resulting valuations. The valuers' opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms and using appropriate valuation techniques.

The Group considers all of its investment properties to fall within 'Level 3', as defined in note 1. The table below summarises the key unobservable inputs used in the valuation of the Group's wholly-owned investment properties at 30 December 2014:

	Market Value £m	Estimated rental value £ per sq ft Low	Portfolio	High	Equivalent yield % Low	Portfolio	High
The Mall	744.7	15.23	19.42	23.45	5.99	6.54	8.21

Sensitivities

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

	Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25bps change in equivalent yield	
	Increase £m	Decrease £m	Increase £m	Decrease £m
The Mall	33.1	(32.6)	(30.0)	30.0

11 Plant and equipment

	Year to 30 December 2014 £m	Year to 30 December 2013 £m
Cost or valuation		
At the start of the year	**2.9**	2.7
Additions	**0.4**	0.2
Disposals	**(0.1)**	–
At the end of the year	**3.2**	2.9
Accumulated depreciation		
At the start of the year	**(2.2)**	(1.9)
Charge for the year	**(0.3)**	(0.3)
At the end of the year	**(2.5)**	(2.2)
Carrying amount		
At the end of the year	**0.7**	0.7

12 Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given in note G to the Company financial statements.

The terms of the Group's central borrowing facility may restrict the ability of Capital & Regional Holdings Limited and its subsidiaries to make cash distributions or repay loans and advances to the Company or elsewhere in the Group if they would thereby cause a default on the facility.

Notes to the Financial Statements continued

For the year ended 30 December 2014

13 Receivables

	30 December 2014 £m	30 December 2013 £m
Amounts falling due after one year:		
Financial assets		
Loans to joint ventures	–	22.8
Non-derivative financial assets	–	22.8
Interest rate cap	1.3	–
	1.3	22.8
Non-financial assets		
Unamortised tenant incentives	6.1	–
Unamortised rent free periods	10.5	–
	17.9	22.8
Amounts falling due within one year:		
Financial assets		
Trade receivables (net of allowances)	4.0	0.3
Amounts owed by associates	0.1	1.3
Deferred tax asset	0.1	–
Other receivables	3.5	3.6
Accrued income	0.4	0.7
Non-derivative financial assets	8.1	5.9
Financial assets carried at fair value through the profit or loss:		
- Foreign exchange forward contract	2.2	0.1
	10.3	6.0
Non-financial assets		
Prepayments	3.1	0.8
Unamortised tenant incentives	1.1	–
Unamortised rent free periods	1.6	–
	16.1	6.8

Loans to the German joint ventures have been reclassified as held for sale as of 24 December 2014. Interest remains payable on these loans at normal commercial rates. The Group has pledged loans to joint ventures with a carrying amount of £14.2 million (2013: £15.5 million) to secure banking facilities granted to the Group.

Included in the non-derivative financial assets balance are receivables with a carrying amount of £2.3 million (2013: £0.2 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds collateral of £0.6 million (2013: £nil) over trade receivables as security deposits held in rent accounts. The average age of trade receivables is 34 days (2013: 35 days).

	30 December 2014 £m	30 December 2013 £m
Analysis of non-derivative current financial assets		
Not past due	5.5	5.5
Past due but not individually impaired:		
Less than 1 month	1.8	0.1
1 to 3 months	0.1	0.3
3 to 6 months	0.3	–
Over 6 months	0.4	–
	8.1	5.9

13 Receivables continued

	30 December 2014 £m	30 December 2013 £m
Allowances for doubtful receivables		
At the start of the year	**0.4**	0.2
Acquired within The Mall	**0.8**	–
Additional allowances created	**0.6**	0.9
Utilised during the year	**(0.8)**	(0.7)
Unused amounts reversed	**(0.1)**	–
At the end of the year	**0.9**	0.4

14 Investment in associates and joint ventures

14a Share of results

	Note	**Year to 30 December 2014 £m**	Year to 30 December 2013[1] £m
Share of results of associates	14d	**11.7**	6.0
Share of results of joint ventures – continuing operations	14e	**(1.5)**	2.3
		10.2	8.3

[1] 2013 results have been restated to separate discontinued operations as explained in note 26.

14b Investment in associates

	Note	**30 December 2014 £m**	30 December 2013 £m
At the start of the year		**112.1**	80.7
Investment in associates		**–**	29.3
Share of results of associates	14d	**11.7**	6.0
Share of results of associates within discontinued operations		**–**	(2.4)
Dividends and capital distributions received		**(1.5)**	(1.7)
Reclassification of the Mall Fund as a subsidiary		**(108.4)**	–
Disposal of interest in Garigal Asset Management GmbH		**(0.3)**	–
Foreign exchange differences		**–**	0.2
At the end of the year	14d	**13.6**	112.1

The Group's associates at 30 December 2014 were:

	Group interest		
	At the start of the year %	Average during the year/until disposal %	At the end of the year %
Kingfisher Limited Partnership	20.00	20.00	20.00
Garigal Asset Management GmbH ('Garigal')	30.06	30.06	–
Euro B–Note Holding Limited	49.90	49.90	49.90

The Mall Limited Partnership was accounted for as an Associate until 14 July 2014 being the date the Group took control and began consolidating its results, see note 25. The Group's investment in Garigal was disposed of in October 2014 for nil consideration as part of the renegotiation of the property and asset management arrangements for the Group's German joint venture in advance of its sale.

Notes to the Financial Statements continued

For the year ended 30 December 2014

14 Investment in associates and joint ventures continued

14b Investment in associates continued

Kingfisher Limited Partnership

On 1 May 2012, the Group completed its acquisition of a 20% interest in the Kingfisher Shopping Centre in Redditch for a total consideration of £10.6 million in partnership with funds managed by Oaktree Capital Management LP. The Kingfisher Centre was purchased for £130.0 million at an 8% net initial yield. The Group exercises significant influence through its representation on the General Partner board and through acting as the property and asset manager.

Euro B-Note Holding Limited

The Group fully impaired its investment in Euro B-Note Holding during 2013.

14c Investment in joint ventures

	Note	**30 December 2014 £m**	30 December 2013 £m
At the start of the year		**32.3**	25.7
Share of results of joint ventures within continuing operations	14e	**(1.5)**	2.3
Share of results of joint ventures within discontinued operations	14e	**4.6**	4.1
Dividends and capital distributions received	31	**(5.3)**	(0.2)
Reclassified as held for sale (Germany)		**(26.8)**	–
Disposal of Waterside Lincoln Limited Partnership		**(1.3)**	–
Foreign exchange differences		**(2.0)**	0.4
At the end of the year	14e	**–**	32.3

The Group had no significant joint ventures at 30 December 2014.

German joint venture

The Group's investment in its German joint venture was reclassified as held for sale on 24 December 2014 on signing of a conditional exchange for its disposal, the Group's share of results for the year have been classified as Discontinued Operations. See note 26 for further details.

Waterside Lincoln Limited Partnership

On 12 November 2014, the Group and its JV Partner, Karoo, sold the Waterside Shopping Centre Lincoln to Tesco Pension Fund Trustees for a net consideration of £46.0 million representing a net initial yield of 5.88%. The net proceeds attributable to the Group were £14.8 million resulting in a profit on disposal of £4.7 million. In addition the Group earned performance fees of £0.9m.

Cash distributions

Distributions received from Joint Ventures and Associates are disclosed in note 31.

14 Investment in associates and joint ventures continued

14d Analysis of investment in associates

	The Mall[1] £m	Other UK Shopping Centres £m	Other £m	**Year to 30 December 2014 Total £m**	Year to 30 December 2013 Total £m
Income statement (100%)					
Revenue – gross rent	31.0	12.0	–	**43.0**	77.9
Property and management expenses	(8.0)	(2.2)	–	**(10.2)**	(19.2)
Void costs	(1.6)	(0.9)	–	**(2.5)**	(4.4)
Net rent	21.4	8.9	–	**30.3**	54.3
Net interest payable	(10.1)	(5.1)	–	**(15.2)**	(30.4)
Contribution	11.3	3.8	–	**15.1**	23.9
Revenue – management fees	–	–	2.6	**2.6**	4.6
Management expenses	–	–	(1.3)	**(1.3)**	(2.6)
Revaluation of investment properties	17.6	11.3	–	**28.9**	(0.8)
Loss on sale of investment properties	0.3	–	–	**0.3**	(19.9)
Fair value of interest rate swaps	2.6	(2.0)	–	**0.6**	16.4
Impairment of Euro B-Note	–	–	–	**–**	(4.7)
Profit before tax	31.8	13.1	1.3	**46.2**	16.9
Tax	–	(0.7)	(0.4)	**(1.1)**	(0.6)
Profit after tax	31.8	12.4	0.9	**45.1**	16.3
Balance sheet (100%)					
Investment properties	–	148.9	–	**148.9**	866.8
Other assets	–	11.6	–	**11.6**	116.6
Current liabilities	–	(6.4)	–	**(6.4)**	(39.7)
Non-current liabilities	–	(86.0)	–	**(86.0)**	(542.8)
Net assets (100%)	–	68.1	–	**68.1**	400.9
Income statement (Group share)					
Revenue – gross rent	9.1	2.4	–	**11.5**	16.2
Property and management expenses	(2.3)	(0.4)	–	**(2.7)**	(4.1)
Void costs	(0.5)	(0.2)	–	**(0.7)**	(0.9)
Net rent	6.3	1.8	–	**8.1**	11.2
Net interest payable	(3.0)	(1.0)	–	**(4.0)**	(6.3)
Contribution	3.3	0.8	–	**4.1**	4.9
Revenue – management fees	–	–	0.8	**0.8**	1.4
Management expenses	–	–	(0.8)	**(0.8)**	(1.1)
Revaluation of investment properties	5.1	2.3	–	**7.4**	(0.2)
Loss on sale of investment properties	0.1	–	–	**0.1**	(4.2)
Fair value of interest rate swaps	0.7	(0.4)	–	**0.3**	3.4
Impairment of Euro B-Note	–	–	–	**–**	(2.4)
Gain recognised on investment in Mall	–	–	–	**–**	2.0
Profit before tax	9.2	2.7	–	**11.9**	3.8
Tax	–	(0.1)	(0.1)	**(0.2)**	(0.2)
Profit/(loss) after tax	9.2	2.6	(0.1)	**11.7**	3.6[2]
Balance sheet (Group share)					
Investment properties	–	29.8	–	**29.8**	241.2
Other assets	–	2.3	–	**2.3**	32.9
Current liabilities	–	(1.3)	–	**(1.3)**	(11.0)
Non-current liabilities	–	(17.2)	–	**(17.2)**	(151.0)
Net assets (Group share)	–	13.6	–	**13.6**	112.1

[1] The results of The Mall represent those from 1 January to 14 July 2014 being the period in which the Group accounted for it as an Associate.

[2] Profit after tax of £3.6 million includes £6.0 million in respect of continuing operations and a loss of £2.4 million within discontinued operations.

Notes to the Financial Statements continued

For the year ended 30 December 2014

14 Investment in associates and joint ventures continued

14e Analysis of investment in joint ventures

	Other UK Shopping Centres[1] £m	Discontinued operations German portfolio £m	**Year to 30 December 2014 Total £m**	Year to 30 December 2013 Total £m
Income statement (100%)				
Revenue – gross rent	1.4	23.2	**24.6**	30.5
Property and management expenses	(1.5)	(3.9)	**(5.4)**	(4.2)
Void costs	(0.3)	–	**(0.3)**	(0.8)
Net rent	(0.4)	19.3	**18.9**	25.5
Net interest payable	(0.6)	(8.6)	**(9.2)**	(10.9)
Contribution	(1.0)	10.7	**9.7**	14.6
Revaluation of investment properties	(2.1)	(1.0)	**(3.1)**	(2.9)
Profit/(loss) on sale of investment properties	–	0.1	**0.1**	(0.5)
Fair value of interest rate swaps	0.1	0.7	**0.8**	3.1
(Loss)/profit before tax	(3.0)	10.5	**7.5**	14.3
Tax	–	(1.3)	**(1.3)**	(1.6)
(Loss)/profit after tax	(3.0)	9.2	**6.2**	12.7
Balance sheet (100%)				
Investment properties	–	–	**–**	327.3
Investment properties held for sale	–	–	**–**	39.9
Other assets	–	–	**–**	16.3
Current liabilities	–	–	**–**	(34.1)
Non-current liabilities	–	–	**–**	(284.8)
Net assets (100%)	–	–	**–**	64.6
Income statement (Group share)				
Revenue – gross rent	0.7	11.6	**12.3**	15.2
Property and management expenses	(0.7)	(2.0)	**(2.7)**	(2.0)
Void costs	(0.2)	–	**(0.2)**	(0.4)
Net rent	(0.2)	9.6	**9.4**	12.8
Net interest payable	(0.3)	(4.3)	**(4.6)**	(5.4)
Contribution	(0.5)	5.3	**4.8**	7.4
Revaluation of investment properties	(1.1)	(0.5)	**(1.6)**	(1.4)
Profit(loss) on sale of investment properties	–	0.1	**0.1**	(0.3)
Fair value of interest rate swaps	0.1	0.4	**0.5**	1.5
(Loss)/profit before tax	(1.5)	5.3	**3.8**	7.2
Tax	–	(0.7)	**(0.7)**	(0.8)
(Loss)/profit after tax	(1.5)	4.6	**3.1**	6.4
Balance sheet (Group share)				
Investment properties	–	–	**–**	163.7
Investment properties held for sale	–	–	**–**	19.9
Other assets	–	–	**–**	8.2
Current liabilities	–	–	**–**	(17.1)
Non-current liabilities	–	–	**–**	(142.4)
Net assets (Group share)	–	–	**–**	32.3

1 The results of the Waterside Shopping Centre Lincoln (Other UK Shopping Centres) are included up to 12 November 2014, the date of its disposal. The results of the German portfolio are included up to 24 December 2014, the date of its reclassification as held for sale.

15 Cash and cash equivalents

	30 December 2014 £m	30 December 2013 £m
Cash at bank and in hand	**33.6**	10.8
Security deposits held in rent accounts	**0.6**	–
Other restricted balances	**8.4**	0.3
	42.6	11.1

Other restricted balances include amounts subject to a charge against various borrowings and may therefore not be available for general use by the Group.

The analysis of cash and cash equivalents by currency is as follows:

	30 December 2014 £m	30 December 2013 £m
Sterling	**42.6**	10.4
Euro	**–**	0.7
	42.6	11.1

16 Trade and other payables

	30 December 2014 £m	30 December 2013 £m
Amounts falling due after one year:		
Financial liabilities		
Accruals	**0.1**	0.1
Non-derivative financial liabilities	**0.1**	0.1
Amounts falling due within one year:		
Financial liabilities		
Trade payables	**1.2**	0.3
Accruals	**29.8**	2.3
Payable to associates	**–**	0.7
Other creditors	**0.2**	0.3
Non-derivative financial liabilities	**31.2**	3.6
Non-financial liabilities		
Deferred income	**9.8**	0.3
Other taxation and social security	**0.8**	0.4
	41.8	4.3

The average age of trade payables is 27 days (2013: 11 days), no amounts incur interest (2013: £nil).

Notes to the Financial Statements continued

For the year ended 30 December 2014

17 Bank loans

17a Summary of borrowings

The Group borrows on a secured basis and 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	Note	**30 December 2014 £m**	30 December 2013 £m
Secured			
Fixed and swapped bank loans	17d	**233.3**	–
Variable rate bank loans	17d	**170.1**	–
Total borrowings before costs		**403.4**	–
Unamortised issue costs		**(6.6)**	–
Total borrowings after costs		**396.8**	–
Analysis of total borrowings after costs			
Current		**–**	–
Non-current		**396.8**	–
Total borrowings after costs		**396.8**	–

The Group considers all of its borrowings to fall within ‘Level 2’, as defined in note 1.

Mall Fund debt facility

On 30 May 2014, the Mall Fund completed the refinancing of its CMBS by entering into a new five-year secured facility comprising a £350 million term loan and additional £25 million capital expenditure facility. The CMBS, along with an associated £10.7 million interest rate swap liability triggered on repayment, was settled from a combination of the new £350 million term loan and existing cash resources. A further amendment was agreed on 3 November 2014 to increase the facility by £5 million and to convert the undrawn £25 million capex facility to a term loan.

The £380 million loan, which was fully drawn down at 30 December 2014, comprises 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 £146.7 million. The latter tranche has been hedged using interest rate caps with a weighted average strike rate of 2.65%.

Costs of £6.9 million were incurred in respect of the refinancings which will be amortised over the term of the facility. In addition, costs of £0.3 million were incurred which were charged to the income statement of the Mall Fund.

Group revolving credit facility

In June 2014, the Group agreed an amendment and restatement of its existing revolving credit facility including the following amendments:

- The revolving credit facility was increased to £50 million (separated into two tranches, the first £25 million being ‘Tranche A’ and the second £25 million being ‘Tranche B’).
- Tranche B’s initial availability was dependent on it being used for an acquisition that resulted in the Group owning at least 80% of the entire issued Units of the Mall Fund.
- An arrangement fee of £625,000 was payable on the drawdown of Tranche B.
- Interest on Tranche A is at a margin of 3.2% per annum above LIBOR and Tranche B at a margin of 4.2%. A non-utilisation fee of 45% of the applicable margin is payable.
- Any proceeds of the sale of any of the properties held by the Group’s German joint venture or any sale of the Waterside Shopping Centre, Lincoln shall be used to reduce the facility limit to a minimum of £20 million until 31 December 2015.
- Tranche A is available until 31 July 2016 (but will be reduced to £15 million from 1 January 2016) and Tranche B until 31 December 2015.

17 Bank loans continued

17a Summary of borrowings continued

The revised facility became effective on 14 July 2014 when the Group drew down a total of £34.6 million (including payment of the £625,000 arrangement fee) in relation to its acquisition of 62.56% of units in the Mall Fund. Following the disposal of the Waterside Shopping Centre, Lincoln the Group paid down proceeds of £14.8 million which reduced the total facility limit to £35.2 million. This remained the facility limit at 30 December 2014 of which £23.4 million was drawn at that date.

This facility is secured by charges over the units the Group holds in The Mall carried at £377.2 million at 30 December 2014 (2013: £100.4 million), charges over certain holdings in and loans to the German joint venture carried at £38.7 million (2013: £39.6 million) and guarantees by the Company.

On 11 February 2015, following completion of the sale of the Group's German joint venture, the Group fully repaid the amount drawn down. In line with the revised terms detailed above the limit of the facility reduced to £20 million as of that date. The charges in relation to the German joint venture were released on completion.

17b Maturity of borrowings

	Note	**30 December 2014 £m**	30 December 2013 £m
From one to two years		**23.4**	–
From two to five years		**380.0**	–
Due after more than one year		**403.4**	–
Current		**–**	–
	17a	**403.4**	–

17c Undrawn committed facilities

	Note	**30 December 2014 £m**	30 December 2013 £m
Expiring between one and two years		**11.8**	–
Expiring between two and five years		**–**	25.0

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

17d Interest rate and currency profile of borrowings

	Note	**30 December 2014 £m**	30 December 2013 £m
Fixed and swapped rate borrowings			
1% to 2%		**233.3**	–
	17a	**233.3**	–
Floating rate borrowings			
The Mall Fund	17a	**146.7**	–
Group revolving credit facility	17a	**23.4**	–
		403.4	–

Floating rate borrowings bear interest based on three month LIBOR.

Notes to the Financial Statements continued

For the year ended 30 December 2014

18 Financial instruments and risk management

18a Overview

Capital risk management

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns while maximising the returns to shareholders through the optimisation of the debt and equity balance. The overall strategy of reducing the Group's levels of balance sheet and see-through debt remains unchanged from 2013.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17a; cash and cash equivalents as disclosed in note 15; and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Statement of changes in equity. For the purpose of calculating gearing ratios, debt is defined as long and short term borrowings (excluding derivatives) excluding unamortised issue costs. Equity includes all capital and reserves of the Group attributable to equity holders of the Company.

The Group is not subject to externally imposed capital requirements. The Board reviews the capital structure and cost of capital on an annual basis but does not set specific targets for gearing ratios. The risks associated with each class of capital are also considered as part of the risk reviews presented to the Audit Committee and the Board. The Group has met its objectives for managing capital during 2014 by mitigating the impact of increased debt draw down at the Group and within The Mall by the disposal of non-core assets.

Gearing ratios

Statutory	Note	**30 December 2014 £m**	30 December 2013 £m
Debt before unamortised issue costs	17a	**403.4**	–
Cash and cash equivalents	15	**(33.6)**	(11.1)
Group net debt		**369.8**	(11.1)
Equity		**419.0**	188.7
Debt to equity ratio		**96%**	–
Net debt to equity ratio		**88%**	–

See-through	Note	**30 December 2014 £m**	30 December 2013 £m
Debt before unamortised issue costs	18f	**420.3**	254.6
Cash and cash equivalents		**(35.0)**	(36.5)
See-through net debt[1]		**385.3**	218.1
Equity		**419.0**	188.7
Debt to equity ratio		**100%**	135%
Net debt to equity ratio		**92%**	116%
Property assets – wholly owned	10a	**790.8**	–
Investment properties – associates	14d	**29.8**	241.2
Investment properties – joint ventures[1]	14e	**–**	163.7
Property value		**820.6**	404.9
Debt to property value ratio		**51%**	63%
Net debt to property value ratio		**47%**	54%

[1] Balances within the German joint venture have been excluded from this note following its reclassification as held for sale on 24 December 2014 and subsequent disposal on
10 February 2015.

18 Financial instruments and risk management continued

18a Overview continued

Categories of financial assets/(liabilities)

		2014			2013		
	Note	**Carrying value £m**	**Gain/(loss) to income £m**	**Gain to equity £m**	Carrying value £m	Gain/(loss) to income £m	(Loss)/gain to equity £m
Financial assets							
Loans to joint ventures	13	**–**	**–**	**–**	22.8	0.6	0.2
Current receivables	13	**8.1**	**–**	**–**	6.0	–	–
Cash and cash equivalents	15	**42.6**	**0.4**	**–**	11.1	(0.3)	–
Loans and receivables		**50.7**	**0.4**	**–**	39.9	0.3	0.2
Foreign exchange forward contracts	13	**2.2**	**0.5**	**1.7**	0.1	(0.2)	(0.7)
Derivatives in effective hedges		**2.2**	**0.5**	**1.7**	0.1	(0.2)	(0.7)
Interest rate cap		**1.3**	**(1.3)**	**–**	–	–	–
Assets at fair value held for trading		**1.3**	**(1.3)**	**–**	–	–	–
Financial liabilities							
Current payables	16	**(31.2)**	**–**	**–**	(3.6)	–	–
Non-current payables	16	**(0.1)**	**–**	**–**	(0.1)	–	–
Non-current borrowings	17a	**(396.8)**	**(8.8)**	**–**	–	–	–
Liabilities at amortised cost		**(428.1)**	**(8.8)**	**–**	(3.7)	–	–
Interest rate swaps		**–**	**(1.1)**	**–**	–	1.8	–
Liabilities at fair value held for trading		**–**	**(1.1)**	**–**	–	1.8	–
Total financial (liabilities)/assets		**(373.9)**	**(10.3)**	**1.7**	36.3	1.9	(0.5)

Significant accounting policies

Details of the significant accounting policies adopted in respect of each class of financial asset, financial liability and equity instrument, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, are disclosed in the accounting policies in note 1.

Financial risk management objectives

Exposure to credit, interest rate and currency risks arise in the normal course of the Group’s business. The Group seeks to minimise the effect of these risks by using derivative financial instruments to manage exposure to fluctuations in interest rates and foreign currency exchange rates. Such instruments are not employed for speculative purposes. The use of any derivatives is approved by the Board, which provides guidelines on the acceptable levels of interest rate risk, credit risk, foreign exchange risk and liquidity risk, and the ranges of hedging required against these risks.

18b Interest rate risk

The Group manages its interest rate risk through a combination of fixed rate loans and interest rate derivatives, typically interest rate swaps or caps. The Group’s objective in managing its interest rate risk is to ensure that it always maintains sufficient headroom to cover interest payments from anticipated cash flows and the directors regularly review the ratio of fixed to floating rate debt to assist this process. The Group does not hedge account its interest rate derivatives and states them at fair value with changes in fair value included in the income statement.

The following table shows a summary of the Mall Fund’s interest rate cap contracts and their maturity dates:

	Maturity date	Notional principal	Contract fixed rate	30 December 2014 Fair value
Interest rate cap	30 May 2019	£116,666,667	2.75%	£0.3m
Interest rate cap	30 May 2019	£30,000,000	2.25%	£1.0m

Notes to the Financial Statements continued

For the year ended 30 December 2014

18 Financial instruments and risk management continued

18b Interest rate risk continued

Sensitivity analysis

The following table shows the Group's sensitivity to a 1% increase or decrease in Sterling and Euro interest rates. To calculate the impact on the income statement for the year the interest rates on all external floating rate interest bearing loans and borrowings and interest earning cash, including loans and cash within associates and joint ventures, have been increased or decreased by 1%. The income statement impact includes the effect of a 1% decrease or increase in interest rates on the market values of interest rate derivatives.

	1% increase in interest rates		**1% decrease in interest rates**	
	Year to 30 December 2014 £m	Year to 30 December 2013 £m	**Year to 30 December 2014 £m**	Year to 30 December 2013 £m
Floating rate loans and cash – (loss)/gain	**(1.3)**	–	**1.3**	–
Interest rate derivatives – gain/(loss)	**0.9**	3.5	**(0.9)**	(3.5)
Impact on the income statement – (loss)/gain	**(0.4)**	3.5	**0.4**	(3.5)
Impact on equity – (loss)/gain	**(0.4)**	3.5	**0.4**	(3.5)

18c Credit risk

The Group's principal financial assets are loans to joint ventures, bank and cash balances, short term deposits, trade and other receivables and investments. Credit risk, being the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, is primarily attributable to loans to joint ventures, and trade and other receivables, which are principally amounts due from associates and joint ventures and from tenants. As a result there is a concentration of credit risk arising from the Group's exposure to these associates and joint ventures but the Group does not consider this risk to be material as it is mitigated by the significant influence that it is able to exercise through its holdings and management responsibilities in relation to those associates and joint ventures. Credit risk arising from tenants is mitigated as the Group monitors credit ratings for significant tenants and there is an allowance for doubtful receivables that represents the estimate of potential losses in respect of trade receivables.

The credit risk on short term deposits and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group is not exposed to significant credit risk on its other financial assets.

18d Currency risk

The Group publishes its consolidated financial statements in Sterling but has investments and loans to its German joint venture portfolio which have the Euro as their functional currency. While these investments and loans were reclassified as held for sale at the year end the Group remained exposed to currency risk at 30 December 2014 as the proceeds received on sale were denominated in Euros. The Group therefore maintained its policy of hedging the currency risk due to exchange rate movements.

Net investment hedge

At 30 December 2014 the Group used a forward foreign exchange contract to hedge the expected proceeds due from the sale of the German joint venture. The contract was for €50 million (2013: €35 million) at a fixed exchange rate of 1.2721 (2013: 1.19254) which hedged 94% (2013: 65%) of the Group's German investment until 27 February 2015 (2013: 65% until 31 December 2014).

Hedge accounting has not been applied on the forward contract maturing on 27 February 2015 but was applied on the contract the Group had in place for €35 million which matured on 31 December 2014. In respect of this only the spot element of the contract was designated as the hedging instrument, determined as the undiscounted difference between the spot rate on the trade date and the spot rate on the revaluation date applied to the notional. The unhedged forward element of the fair value is determined as the total fair value less the spot element. Changes in the forward element of the fair value are reported through the income statement as finance income or finance costs. During the year, this change in the unhedged element of the fair value was a gain of £0.3m (2013: £nil). During the year, the ineffective portion of the hedge resulted in a credit of £0.2 million (2013: charge of £0.5 million) to the income statement. Both of these amounts have been classified as discontinued operations as they relate to the Group's investment in Germany.

18 Financial instruments and risk management continued

18d Currency risk continued

Sensitivity analysis

The following table shows what the Group's sensitivity to a 10% strengthening or weakening in Sterling against the Euro would have been at 30 December 2014. To calculate the impact on the income statement for the year the average exchange rate has been decreased or increased by 10%. The translational effect on equity is limited due to the Euro hedging in place. The effect on equity is calculated by decreasing or increasing the closing exchange rate with an adjustment for the movement in the currency hedge. It is assumed that the net investment hedge will be 100% effective.

	10% strengthening in Sterling		**10% weakening in Sterling**	
	Year to 30 December 2014 £m	Year to 30 December 2013 £m	**Year to 30 December 2014 £m**	Year to 30 December 2013 £m
Impact on the income statement – (loss)/gain	**(0.6)**	(0.5)	**0.5**	0.3
Impact on equity – (loss)/gain	**(0.4)**	(1.2)	**1.1**	2.2

18e Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The day-to-day operations of the Group are largely funded through the items included in the breakdown of Operating Profit included in note 2a. The majority of income within Operating Profit is received quarterly, since the inflows and outflows from net rental income and net interest payable generally coincide with English quarter days, and property management fees are billed quarterly. As a result, the Group normally has sufficient funds to cover recurring administrative expenses which occur throughout the year. Liquidity risk therefore arises principally from the need to make payments for non-recurring items, such as tax payments and the close out of derivative financial instruments.

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group's treasury department maintains a rolling eighteen month forecast of anticipated recurring and non-recurring cash flows under different scenarios. This is compared to expected cash balances and amounts available for drawdown on the Group's core revolving credit facility to ensure that any potential shortfalls in funding are identified and managed. The Group's primary means of managing liquidity risk is the core revolving credit facility, expiring in July 2016, which had £11.8 million fully available at 30 December 2014 as disclosed in note 17c.

The following table shows the maturity analysis of non-derivative financial assets/(liabilities) at the balance sheet date and, where applicable, their effective interest rates.

2014	Note	**Effective interest rate %**	**Less than 1 year £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**	**Total £m**
Financial assets							
Current receivables	13		**10.3**	**–**	**–**	**–**	**10.3**
Cash and cash equivalents	15	**0.4%**	**42.6**	**–**	**–**	**–**	**42.6**
			52.9	**–**	**–**	**–**	**52.9**
Financial liabilities							
Borrowings		**3.5%**	**–**	**(22.9)**	**(373.9)**	**–**	**(396.8)**
Current payables	16		**(31.2)**	**–**	**–**	**–**	**(31.2)**
Non-current payables	16		**–**	**–**	**–**	**(0.1)**	**(0.1)**
			(31.2)	**(22.9)**	**(373.9)**	**(0.1)**	**(428.1)**

Notes to the Financial Statements continued

For the year ended 30 December 2014

18 Financial instruments and risk management continued

18e Liquidity risk continued

2013	Note	Effective interest rate %	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Financial assets							
Non-current receivables	13	3.5	–	–	22.8	–	22.8
Current receivables	13		6.0	–	–	–	6.0
Cash and cash equivalents	15	0.8	11.1	–	–	–	11.1
			17.1	–	22.8	–	39.9
Financial liabilities							
Current payables	16		(3.6)	–	–	–	(3.6)
Non-current payables	16		–	(0.1)	–	–	(0.1)
			(3.6)	(0.1)	–	–	(3.7)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash inflows/(outflows) of financial liabilities based on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

2014	**Less than 1 year £m**	**1–2 years £m**	**2–3 years £m**	**3–4 years £m**	**4–5 years £m**	**More than 5 years £m**	**Total £m**
Borrowings – fixed bank loans	**–**	**–**	**–**	**–**	**(229.6)**	**–**	**(229.6)**
Borrowings – floating bank loans	**–**	**(22.9)**	**–**	**–**	**(144.3)**	**–**	**(167.2)**
Non-interest bearing	**(31.2)**	**–**	**–**	**–**	**–**	**(0.1)**	**(31.3)**
	(31.2)	**(22.9)**	**–**	**–**	**(373.9)**	**(0.1)**	**(428.1)**

2013	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Non-interest bearing	(3.6)	(0.1)	–	–	–	–	(3.7)
	(3.6)	(0.1)	–	–	–	–	(3.7)

The following tables detail the Group's remaining contractual maturity for its derivative financial assets/(liabilities), all of which are net settled, based on the undiscounted net cash inflows/(outflows). When the amount payable or receivable is not fixed, it has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

2014	**Less than 1 year £m**	**1–2 years £m**	**2–3 years £m**	**3–4 years £m**	**4–5 years £m**	**More than 5 years £m**	**Total £m**
Net settled							
Interest rate caps	**–**	**–**	**–**	**–**	**1.3**	**–**	**1.3**
Foreign exchange forward contract	**2.2**	**–**	**–**	**–**	**–**	**–**	**2.2**
	2.2	**–**	**–**	**–**	**1.3**	**–**	**3.5**

2013	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Foreign exchange forward contract	–	0.1	–	–	–	–	0.1
	–	0.1	–	–	–	–	0.1

18 Financial instruments and risk management continued

18f Fair values of financial instruments

The fair values of financial instruments together with their carrying amounts in the balance sheet are as follows:

	Note	Notional principal £m	**2014 Book value £m**	**2014 Fair value £m**	2013 Book value £m	2013 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	18a		**(403.4)**	**(409.0)**	–	–
Total on balance sheet borrowings			**(403.4)**	**(409.0)**	–	–
Group share of associate borrowings			**(16.9)**	**(16.9)**	(128.1)	(128.1)
Group share of joint venture borrowings			**–**	**–**	(126.5)	(127.2)
Total see-through borrowings	18a		**(420.3)**	**(425.9)**	(254.6)	(255.3)
Derivative assets/(liabilities) at fair value through income statement						
Interest rate caps	13	146.7	**1.3**	**1.3**	–	–
Foreign exchange forward contracts	13	39.1	**2.2**	**2.2**	0.1	0.1
Total on balance sheet derivatives			**3.5**	**3.5**	0.1	0.1
Group share of Sterling interest rate swaps in associates and joint ventures		16.9	**(0.5)**	**(0.5)**	(4.2)	(4.2)
Group share of Euro interest rate swaps in joint ventures		–	**–**	**–**	(1.4)	(1.4)
Total see-through derivatives			**3.0**	**3.0**	(5.5)	(5.5)
Less foreign exchange forward contracts			**(2.2)**	**(2.2)**	(0.1)	(0.1)
Total see-through interest rate derivatives			**0.8**	**0.8**	(5.6)	(5.6)

The fair value of borrowings has been estimated on the basis of quoted market prices. The fair value of the forward foreign exchange contract has been estimated by applying the quoted forward foreign exchange rate to the undiscounted cash flows at maturity.

Details of the Group's cash and deposits are disclosed in note 15 and their fair values are equal to their book values.

Fair value measurements recognised in the consolidated balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable, as defined in note 1.

			2014	
	Note	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Interest rate caps	13	**1.3**	**–**	**1.3**
Foreign exchange forward contracts	13	**2.2**	**–**	**2.2**
		3.5	**–**	**3.5**

			2013	
	Note	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Foreign exchange forward contracts	13	0.1	–	0.1

There were no transfers between Levels in the year.

Notes to the Financial Statements continued

For the year ended 30 December 2014

19 Share capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2014 Number	2013 Number	**2014 £m**	2013 £m
Ordinary shares of 1p each				
At the start of the year	**349,688,796**	350,612,754	**3.5**	3.5
Repurchased and cancelled	**–**	(923,958)	**–**	–
Issued in Capital Raising	**351,063,830**	–	**3.5**	–
At the end of the year	**700,752,626**	349,688,796	**7.0**	3.5
Deferred shares of 9p each				
At the start of the year	**71,348,933**	71,348,933	**6.4**	6.4
Cancelled during the year	**(71,348,933)**	–	**(6.4)**	–
At the end of the year	**–**	71,348,933	**–**	6.4
Total called-up share capital	**700,752,626**	421,037,729	**7.0**	9.9

Ordinary shares

The Company has one class of Ordinary shares which carry voting rights but no right to fixed income.

On 20 June 2014 the Company announced a firm placing and fully underwritten open offer (the 'Capital Raise'). The Capital Raise was approved by shareholders at a general meeting on 9 July 2014 and completed on 14 July 2014.

The Company issued 351,063,830 shares of 1p at 47p (a 2.1% discount to the Closing Price on 19 June 2014 and a 0.7% premium to the one month volume weighted average price on 19 June 2014) as follows:

- 70,253,131 shares through a firm placing for consideration of £33.0 million; and
- 280,810,699 shares through a placing and open offer for consideration of £132.0 million.

The Admission (comprising the admission of the 351,063,830 New Ordinary Shares and Re-admission of the 349,688,796 existing Ordinary shares) of shares occurred on 14 July 2014.

Out of the total consideration of £165.0 million, £3.5 million (representing the nominal value of the shares) was credited to share capital. The balance of £157.2 million, (after issue costs and expenses of £4.3 million) was credited to share premium.

Deferred shares

During the year the Company bought back and cancelled the 71,348,933 Deferred shares for consideration of 1p per holding. The difference between the nominal value and the amount paid of £6.4 million has been transferred to retained earnings. The Deferred shares carried neither voting nor dividend rights.

20 Share-based payments

The Group's share-based payments comprise the SAYE scheme and the 2008 LTIP. Full details of the schemes are disclosed in the Directors' remuneration report. In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant, calculated using either a Black-Scholes option pricing model or a Monte Carlo simulation.

Analysis of income statement charge

	Year to 30 December 2014 £m	Year to 30 December 2013 £m
2008 LTIP	**0.5**	0.8
Equity-settled share-based payments	**0.5**	0.8

20 Share-based payments continued

Movements during the year

	Number of Options			Weighted average exercise price pence
	SAYE Invitation II	2008 LTIP	Total	
Outstanding at 30 December 2012	396,377	13,500,000	13,896,377	1.04
Granted during the year	–	7,789,101	7,789,101	–
Exercised during the year	–	–	–	–
Forfeited/lapsed/expired during the year	(72,881)	(13,500,000)	(13,572,881)	0.19
Outstanding at 30 December 2013	323,496	7,789,101	8,112,597	1.45
Granted during the year	–	5,375,458	5,375,458	–
Adjustment to previously issued awards[1]	2,991	155,775	158,766	0.68
Exercised during the year	(248,618)	–	(248,618)	36.31
Forfeited/lapsed/expired during the year	(20,883)	–	(20,883)	36.31
Outstanding at 30 December 2014	56,986	13,320,334	13,377,320	0.15
Exercisable at the end of the year	56,986	–	56,986	36.31

1 Adjustment made in line with the respective scheme rules to offset the dilutive impact of the £165 million Capital Raising.

SAYE

On 1 November 2014, the second SAYE scheme invitation ('Invitation II') matured and participants were eligible to exercise their options for up to six months.

LTIP

On 14 August 2014 a new award was made under the 2008 LTIP. The assumptions of which are shown below alongside those for the award made on 16 August 2013. On 8 June 2013 all of the 2008 LTIP awards issued on 8 June 2010 lapsed as the performance criteria were not met. Further details are disclosed in the Directors' remuneration report.

Assumptions

The key assumptions and inputs used in the fair value models are:

	SAYE scheme Invitation II	2008 LTIP	
		August 2013 issue	August 2014 issue
Share price at grant date	34.0p	39.0p	46.8p
Exercise price	36.31p	0.0p	0.0p
Expected volatility	56%	35%	36%
Expected life (years)	3.00	3.00	3.00
Risk free rate	3.51%	0.86%	0.96%
Expected dividend yield	14.7%	2.44%	4.53%
Lapse rate	2%	0%	0%
Fair value of award at grant date per share	5p	15p	13p

Expected volatility is based on the historical volatility of the Group's share price over the three years to the date of grant. The risk free rate is the yield at the date of grant on a gilt-edged stock with a redemption date equivalent to the expected life of the option or the performance period of the relevant scheme. Options are assumed to be exercised at the earliest possible date.

Notes to the Financial Statements continued

For the year ended 30 December 2014

21 Own shares

	Own shares £m
At the start of the year	**0.7**
Disposed of on exercise of options	**(0.1)**
At the end of the year	**0.6**

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2014, the Capital & Regional plc 2002 Employee Share Trust (the 'ESOT') held 1,070,583 (2013: 1,314,024) shares to assist the Group in meeting the outstanding share awards under the schemes described above. The right to receive dividends on these shares has been waived. The market value of these shares at 30 December 2014 was £0.6 million (2013: £0.6 million).

22 Reconciliation of net cash from operations

	Note	**Year to 30 December 2014 £m**	Year to 30 December 2013 £m
Profit for the year		**75.2**	9.1
Adjusted for:			
Finance income – continuing and discontinued operations		**(1.4)**	(2.6)
Finance expense – continuing and discontinued operations		**10.2**	4.7
Income tax expense – continuing operations	8a	**(2.5)**	(0.2)
Income tax expense – discontinued operations	8a	**–**	(0.1)
Acquisition of Mall units		**(8.1)**	–
Profit on disposal of associates and joint ventures		**(4.8)**	–
Loss on disposal of wholly owned properties – discontinued operations	26	**–**	2.1
(Profit)/loss on revaluation of wholly owned properties		**(36.9)**	0.2
Share of (profit)/loss in associates and joint ventures	14a	**(10.2)**	(8.3)
Share of (profit)/loss in associates and joint ventures – discontinued operations	26	**(4.6)**	(1.7)
Profit on disposal of other assets		**–**	(1.0)
Depreciation of other fixed assets	11	**0.3**	0.3
Decrease in receivables		**5.8**	0.2
Decrease in payables		**(1.2)**	(4.9)
Non-cash movement relating to share-based payments		**0.7**	0.8
Net cash from operations		**22.5**	(1.4)

23 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 2014			30 December 2013
	Note	**Net assets £m**	**Number of shares (m)**	**Net assets per share (£)**	Net assets per share (£)
Basic net assets		**419.0**	**700.8**	**0.60**	0.54
Own shares held	21		**(1.1)**		
Dilutive contingently issuable shares and share options			**4.6**		
Fair value of fixed rate loans (net of tax)		**(4.5)**			
EPRA triple net assets		**414.5**	**704.3**	**0.59**	0.54
Exclude fair value of fixed rate loans (net of tax)		**4.5**			
Exclude fair value of see-through interest rate derivatives	18f	**(0.8)**			
Exclude deferred tax on unrealised gains and capital allowances		**(0.1)**			
EPRA net assets		**418.1**	**704.3**	**0.59**	0.56

24 Return on equity

	30 December 2014 £m	30 December 2013 £m
Total comprehensive income attributable to equity shareholders	**74.1**	9.2
Opening equity shareholders' funds plus time weighted additions	**264.0**	179.6
Return on equity	**28.1%**	5.1%

25 Acquisition of units in the Mall Unit Trust and Capital Raise

On 20 June 2014 the Group announced it had entered into conditional agreements to acquire 62.56% of units in the Mall Fund for an initial gross cash consideration of £213.1 million ('the Acquisition') to be funded by available cash and debt funding and an associated Firm Placing and Placing and Open Offer (the 'Capital Raise') to raise gross proceeds of £165 million by the issue of 351,063,830 shares at 47 pence per New Ordinary Share. The Group expects to recover £0.7 million of £7.4 million that was paid into escrow and therefore the expected final consideration is £212.4 million. Shareholder approval was obtained at the General Meeting held on 9 July 2014 and the shares were admitted to listing and the Acquisition completed on 14 July 2014.

On completion of the Acquisition the Group owned 91.82% of the Mall Fund. At 30 December 2014 following subsequent transactions, summarised in the *Subsequent acquisitions of minority units* section below, the Group owned 100%.

Details of the Acquisition

Under the terms of the Acquisition, which constituted a reverse takeover under the Listing Rules, the Group acquired:

- 490,300,237 Units from Aviva Life & Pensions UK and other related holdings ('Aviva'), representing 52.04% of the Mall Fund, for a consideration of £177.2 million.
- 99,069,410 units from Karoo Investment Fund ('Karoo'), representing 10.52% of the Mall Fund, for an expected consideration of £35.1 million, subject to final escrow adjustment.
- The remaining 50% of The Mall (General Partner) Limited that it did not already own from Norwich Union (Mall GP) for £77,712.

The Units were acquired via Capital & Regional (Europe Holding 5) Limited and the interest in The Mall (General Partner) Limited via Capital & Regional (Mall GP) Limited, both 100% owned subsidiaries of Capital & Regional plc. The consideration paid was based on the Mall Fund NAV per unit at 31 March 2014 adjusted for interest rate swap liabilities and estimated performance fees and represented a 6.7% Net Initial Yield on the underlying properties.

The liability to pay the performance fee was triggered on the redemption offer being made to all remaining unit holders in September 2014 (see *Subsequent acquisitions of minority units* section below). The total amount payable was £11.8 million (excl. VAT), to be split equally between Aviva Investor Global Services, the Fund Manager, and Capital & Regional Property Management Limited ('CRPM'), the Property and Asset Manager. The performance fee was accrued in the Mall Fund financial statements at 30 December 2014. The entries relating to CRPM have been eliminated on consolidation in the Group financial statements for year ended 30 December 2014.

In addition to the cash consideration payable Aviva and Karoo will receive their pro-rata share of the Mall Fund's income for the period from 1 April 2014 to 13 July 2014, being the date immediately prior to completion. This will be paid to them upon distributions being made by the Mall Unit Trust at such time as the Mall Unit Trust resolves to pay such distributions. At 30 December 2014 an accrual of £3.0 million has been recognised in respect of this amount.

Strategic rationale

The Directors believe that the Acquisition marked a significant step towards completing the Group's strategic objective of focusing on its core UK shopping centre business and positioning itself as the leading dominant community shopping centre owner in the UK. The Board believes the Acquisition provides the Group with:

- control of the underlying assets in its core investment, the Mall Fund;
- the ability to generate compelling returns from the strong cash generating ability of its shopping centres and offer shareholders a highly attractive dividend yield relative to the sector;
- the opportunity to further leverage its core strengths of managing or owning interests in dominant UK community shopping centres;
- the ability to facilitate the delivery of attractive value and asset management opportunities;
- a more efficient capital structure; and
- a strong platform that has enabled the Group to convert to a REIT effective 31 December 2014.

Notes to the Financial Statements continued

For the year ended 30 December 2014

25 Acquisition of units in the Mall Unit Trust and Capital Raise continued

Capital Raise and funding of the Acquisition

The gross proceeds from the Capital Raise were £165 million (see note 19). Total transaction costs were £7.4 million of which £4.3 million specifically related to the Capital Raise and have been deducted from Share Premium. The remaining £3.1 million has been charged to the income statement.

In addition to the net proceeds of the Capital Raise the Group made a drawdown on its amended and restated revolving credit facility of £34.6 million (see note 17a for further details) and utilised existing cash resources for the balance of funding required.

Accounting for the Acquisition

Following the completion of the Acquisition, the Group owned 91.82% of the Mall Fund and held three of the six director seats of The Mall (General Partner) Limited. In addition through the Group's 100% ownership of The Mall (General Partner) Limited it was (and is) able to appoint and remove the independent directors, giving it the ability to appoint a majority of The Mall (General Partner) Limited's Board and hence exercise control over the Mall Fund. The Group therefore consolidated the operations of The Mall from 14 July 2014. Prior to this date the Group equity accounted for its interest in the Mall Fund as an Associate.

To determine the assets and liabilities acquired at the date of completion the Group have used the 30 June 2014 balance sheet with an adjustment made to deferred income to reflect the pro rata profits for the period to 14 July 2014, the date of the Acquisition. This is on the basis that the valuation and other balance sheet captions would not be expected to significantly change during such a short period of time. The following provides a breakdown of the asset and liabilities acquired:

	£m
Investment properties	**752.1**
Cash	25.1
Trade debtors (net of provisions of £0.8 million)	4.3
Prepayments and accrued income	3.0
Other debtors	24.0
Other assets	**56.4**
Trade creditors	(1.2)
Other creditors	(10.7)
Accruals and deferred income	(17.0)
Current liabilities	**(28.9)**
Bank loans	(343.6)
Other liabilities (Head Leases)	(65.4)
Non-current liabilities	**(409.0)**
Net Assets (100%)	**370.6**

The only fair value adjustments made on acquisition relate to the performance fee (reflecting the expectation of this being triggered subsequently in the year) and the accrual for estimated profits due to the vendor from 1 April 2014 to the date of completion.

	£m
Net Assets acquired (62.56% of £370.6 million)	231.8
Accrual for 1 April to 14 July 2014 profits due to vendor	(3.0)
Performance Fee net liability arising on completion	(4.9)
Total identifiable assets (provisional)	223.9
Consideration	
Cash paid to Aviva and Karoo	(205.7)
Cash paid to Escrow	(7.4)
Cash consideration out	(213.1)
Expected recovery from Escrow	0.7
Total expected Consideration	(212.4)
Negative Goodwill to be taken to income statement (provisional)	11.5

25 Acquisition of units in the Mall Unit Trust and Capital Raise continued

Accounting for the Acquisition continued

The negative Goodwill arises due to the valuation driven increase in net asset value of The Mall Fund at 30 June 2014 compared to 31 March 2014, as the acquisition price was calculated with reference to the latter.

Subsequent acquisitions of minority interests

In October 2014 the Mall Fund completed a redemption of the units of eight of the nine remaining unit holders. Under the terms of this redemption the Fund acquired and then cancelled the outstanding units at a total cash cost of £28.2 million. This had the effect of increasing the Group's effective shareholding in The Mall from 91.82% to 99.45%.

On 1 December 2014 Capital & Regional (Europe Holding 5) Limited, a 100% subsidiary of Capital & Regional plc, acquired the units held by the sole remaining minority unit holder for cash consideration of £2.1 million.

The impact of these transactions has been reflected as a movement in the statement of changes in equity.

Following these transactions the Group owned 100% of The Mall Fund from 1 December 2014. Subsequent to this date the two independent directors of The Mall (General Partner) Limited resigned leaving the three Capital & Regional directors and the Chairman as the four serving directors at 30 December 2014.

Amounts credited/charged to the income statement

The following table summarises the amounts credited or charged to the income statement in respect of the acquisitions of Mall Units, the capital raise and the subsequent restructuring of the Mall Fund.

	£m
Negative Goodwill credited on acquisition of 62.56% of Mall Units	11.5
Transaction costs charged to income statement	(3.1)
Restructuring of the Mall Fund	(0.3)
Total	8.1

£31.9 million of revenue and £47.0 million of profit before tax in respect of The Mall has been credited to the income statement in the year post acquisition. If the Group had consolidated the results of The Mall from 31 December 2013, being the first day of its accounting period, the Group's revenues for the year would have been £80.8 million and profit before tax would have been £89.7 million.

26 Discontinued Operations

German joint venture

On 24 December 2014, the Group announced the conditional exchange of contracts for 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.

Considering the sale to be highly probable at 24 December 2014 management reclassified the balances related to the German joint venture from receivables from joint ventures (£14.2 million) and interests in joint ventures (£27.3 million) to assets held for sale (£39.5 million), liabilities in respect of assets held for sale (£(0.8) million) and fixed asset investments (£2.7 million - in respect of the minority stakes retained). The reclassifications were made at carrying value being the lower of carrying amount and expected fair value less costs to sell.

The transaction completed on 10 February 2015. The net proceeds received were €54.6 million, this equated after costs to £42.1 million (after all costs and including the benefit of the Group's Forward Contract which hedged €50 million at 1.2721) and is expected to result in a profit on disposal of approximately £0.6 million to be recognised in the year ending 30 December 2015 subject to any final adjustments arising out of the completion accounts and before the impact of hedging and foreign exchange reserves reclassifications. On completion, and included within the proceeds, the Group entered into a long-term loan payable of €3.5 million (£2.7 million at year end exchange rate of 1.2783) repayable after five years. After completion a distribution of €1.5 million was made in respect of the retained minority stakes (reducing this to approximately €2.2 million), this was used to reduce the outstanding amount of the loan to €2.0 million.

Given Germany was previously treated as a separate operating segment its results have been reclassified as discontinued operations in 2014 and the 2013 results similarly restated.

Notes to the Financial Statements continued

For the year ended 30 December 2014

26 Discontinued Operations continued

Leisure World, Hemel Hempstead

On 14 February 2014, the Group completed the sale of the Leisure World property, Hemel Hempstead for net consideration of £8.4 million (£8.5 million of consideration less £0.1 million of associated costs). On the basis that at 30 June 2013 and 30 December 2013 the sale was considered highly probable, the property had been classified as an asset held for sale at both those dates.

Morrison Merlin (Great Northern Warehouse)

On 31 October 2013, the Group completed the sale of Morrison Merlin Limited, the Group company that owned the Great Northern Warehouse, for a headline price of £71.1 million. At the date of disposal the net assets of Morrison Merlin Limited were £14.1 million. The net cash consideration received after transaction costs of £0.1 million was £12.0 million resulting in a loss on disposal after tax of £2.1 million.

Given the disposal of Morrison Merlin and Leisure World, Hemel Hempstead formed part of the Group's strategic plan to exit the Leisure market, the results for 2013 were presented as discontinued operations in the financial statements for the year ended 30 December 2013.

X-Leisure

On 16 January 2013 the Group completed the sale of its 11.9% stake in the X-Leisure Fund and its 50% interest in X-Leisure Limited to a subsidiary of Land Securities Group plc for net proceeds of £30.6 million.

The results of these discontinued operations, which have been included in the consolidated income statement, were as follows:

	Note	**Year ended 30 December 2014 £m**	Year ended 30 December 2013 £m
Revenue		**–**	5.1
Cost of sales		**0.2**	(1.2)
Administrative costs		**(0.3)**	–
Finance income		**1.0**	2.3
Finance costs		**–**	(4.3)
Share of joint ventures and associates		**4.6**	1.7
Attributable current tax credit		**–**	0.1
Share of profit after attributable tax		**5.5**	3.7
Loss on disposal of discontinued operations		**–**	(2.1)
Profit from discontinued operations	2a	**5.5**	1.6

The loss on disposal of discontinued operations of £nil (2013: loss of £2.1 million) is stated after Deferred Tax credits of £nil (2013: credits of £0.1 million) relating to Deferred Tax liabilities extinguished on disposal.

During the year, discontinued operations contributed £5.2 million (2013: £4.3 million) in respect of the Group's net operating cash flows, contributed £8.8 million (2013: £42.8 million) in respect of investing activities (disposal proceeds) and received £0.9 million (2013: paid £0.6 million) in respect of financing activities.

Assets held for sale comprise:

	30 December 2014 £m	30 December 2013 £m
Interests in German joint venture	**39.5**	–
Leisure World, Hemel Hempstead	**–**	8.5
	39.5	8.5

£0.8 million (2013: £0.1 million) of balance sheet liabilities associated with these assets have been recognised at 30 December 2014 representing expected transaction costs.

27 Lease arrangements

The Group as lessee – operating leases

At the balance sheet date, the Group's future minimum lease payments and sublease receipts under non-cancellable operating leases related to land and buildings were as follows:

	2014 £m	2013 £m
Lease payments		
Within one year	**(1.9)**	(2.0)
Between one and five years	**(7.4)**	(7.5)
After five years	**(16.1)**	(17.9)
	(25.4)	(27.4)

Operating lease payments are denominated in Sterling or Euros and have an average remaining lease length of 12 years (2013: 13 years) and rentals are fixed for an average of one year (2013: two years). During the year there were no contingent rents (2013: £nil) and the Group incurred lease payments recognised as an expense of £1.6 million (2013: £1.9 million).

The Group as lessee – finance leases

At the balance sheet date, the Group's future minimum lease payments under finance leases were as follows:

	2014 £m	2013 £m
Lease payments		
Within one year	**3.6**	–
Between one and five years	**14.4**	–
After five years	**398.4**	–
	416.4	–
Future finance charges on finance leases	**(351.0)**	–
Present value of finance lease liabilities	**65.4**	–

Finance lease liabilities are in respect of head leases on investment property. These leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above.

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of eight years (2013: eight years) to expiry. The most significant leasing arrangements are summarised in the fund portfolio information. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

100% figures	Unexpired average lease term Years	Less than 1 year £m	2–5 years £m	6–10 years £m	11–15 years £m	16–20 years £m	More than 20 years £m	**30 December 2014 Total £m**	30 December 2013 Total £m
The Mall	7.8	47.4	139.4	96.5	34.6	22.9	101.4	**442.2**	469.3
Group		47.4	139.4	96.5	34.6	22.9	101.4	**442.2**	–
Redditch	7.9	10.2	34.3	24.2	6.1	2.4	17.1	**94.3**	76.8
Total associates		10.2	34.3	24.2	6.1	2.4	17.1	**94.3**	546.1
German portfolio[1]		–	–	–	–	–	–	**–**	183.6
Other joint ventures		–	–	–	–	–	–	**–**	8.8
Total joint ventures		–	–	–	–	–	–	**–**	192.4
Total		**57.6**	**173.7**	**120.7**	**40.7**	**25.3**	**118.5**	**536.5**	**738.5**

[1] The German portfolio has been excluded from the above analysis following its reclassification as an asset held for sale and subsequent disposal post year end (See note 26). Hemel Hempstead was similarly excluded from the Group analysis in 2013 (see note 26 for further details).

Notes to the Financial Statements continued

For the year ended 30 December 2014

28 Capital commitments

At 30 December 2014, the Group's share of the capital commitments of its associates, joint ventures and wholly owned properties was £3.2 million (2013: £2.6 million). This comprised £3.1 million (2013: £0.5 million) relating to The Mall and £0.1 million (2013: £2.1 million) relating to other assets.

29 Contingent liabilities

German joint venture

Under the terms of the German joint venture disposal, Capital & Regional plc gave certain customary warranties as to their title to the relevant shares and certain warranties in relation to the German joint venture generally. In addition Capital & Regional plc have provided an indemnity to the purchaser for potential German Real Estate Transfer Tax (RETT) liabilities if they arise out of actions undertaken by the Group post completion. All such actions covered by the indemnity are within the Group's control, the maximum RETT liability based on the 30 December 2014 property valuation was approximately €20 million.

Morrison Merlin

Under the terms of the Morrison Merlin Limited disposal, Capital & Regional plc gave certain customary warranties as to their title to the relevant shares and certain warranties in relation to Morrison Merlin Limited generally. The maximum liability of Capital & Regional plc in respect of the warranties is £7 million. Any claims in respect of the warranties must be brought within 24 months of completion, or 30 months in respect of the tax warranties.

X-Leisure

Under the terms of the X-Leisure disposal agreements, Capital & Regional gave certain customary warranties as to capacity, title to the disposed assets, solvency, accounting and financial matters, litigation, compliance with laws and regulatory consents and taxation.

The aggregate liability of the sellers in respect of breaches of certain warranties including those relating to title and capacity and authority shall not exceed an amount equal to the consideration received by that seller. Other than in the case of fraud, the aggregate liability of the Sellers and the Manager in respect of claims under the disposal agreements shall not exceed £30 million.

The Junction Fund

Under the terms of the Group's disposal of its interest in The Junction Fund, Capital & Regional Units LLP and Capital & Regional (Junction GP) Limited gave certain customary warranties as to their title to the relevant units and shares and certain warranties in relation to the Junction Fund generally and the GP sellers gave warranties in relation to the Junction GP. Any claims in respect of the warranties must be brought within 12 months of the date of the agreement, being 19 October 2012, other than in respect of certain claims relating to taxation, where the claims must be brought within either 24 months or six years from the date of agreement. The relevant warranties were given on a several basis and the maximum liability of Capital & Regional Units LLP in respect of the outstanding warranties is £3.5 million and the maximum liability of Capital & Regional (Junction GP) Limited in respect of the outstanding warranties is £3.5 million.

The obligations of Capital & Regional Units LLP under the agreement were guaranteed by Capital & Regional Holdings Limited.

30 Events after the balance sheet date

German joint venture disposal

On 10 February 2015 the Group's disposals of interests in its German joint venture completed, see note 26 for further details.

The Group used the proceeds to repay the outstanding balance on its revolving credit facility on 11 February 2015. In line with the terms detailed in note 17a the limit of the facility reduced to £20 million as of that date.

Ipswich

On 3 March 2015 the Group completed the acquisition of the Buttermarket Centre, Ipswich in a 50:50 joint venture with Drum Property Group. The centre has been acquired on a freehold basis for £9.2 million equivalent to a Net Initial Yield of 8.46%.

31 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. This includes transactions between the Company and The Mall Limited Partnership from 14 July 2014 onwards, being the date it became a subsidiary. Transactions between the Group and its associates and joint ventures, all of which occurred at normal market rates, are disclosed below.

	Interest received		Distributions received	
	Year to 30 December 2014 £m	Year to 30 December 2013 £m	**Year to 30 December 2014 £m**	Year to 30 December 2013 £m
Associates				
Garigal	**–**	–	**–**	0.5
The Mall Limited Partnership (until 14 July 2014)	**–**	–	**1.3**	1.2
	–	–	**1.3**	1.7
Joint ventures				
German joint venture companies	**0.5**	0.6	**5.3**	0.2
	0.5	0.6	**5.3**	0.2

The previous borrowing arrangements of The Mall restricted the ability to make cash distributions of profit to the Group while its LTV was above 60% and its debt above £600 million. In July 2013 the Mall's LTV and debt levels fell below these levels and remained so for the remainder of 2013 and all of 2014.

The £1.2 million received during 2013 related to a distribution to cover tax to be paid on the share of profits for the period.

	Fee income and rent income/(expense)		Net amounts receivable from	
	As at 30 December 2014 £m	As at 30 December 2013 £m	**As at 30 December 2014 £m**	As at 30 December 2013 £m
Associates				
The Mall Limited Partnership (until 14 July 2014)	**2.1**	7.3	**–**	1.2
Kingfisher Limited Partnership (Redditch)	**0.7**	0.7	**0.1**	0.1
	2.8	8.0	**0.1**	1.3
Joint ventures				
German joint venture companies[1]	**–**	–	**14.2**	15.5
Waterside Lincoln Limited Partnership	**1.0**	0.2	**–**	7.4
	1.0	0.2	**14.2**	22.9

1 Reclassified to assets held for sale from 24 December 2014.

Amounts receivable from associates are unsecured and do not incur interest and they are payable on demand and settled in cash.

Amounts receivable from the German joint venture incur interest at commercial rates which is payable on demand. The balances are unsecured and settled in cash. Amounts receivable from the Waterside Lincoln Limited Partnership, prior to its disposal, were interest free and repayable on demand.

Management fees are received by Capital & Regional Property Management Limited and are payable on demand. They are unsecured, do not incur interest and are settled in cash.

Waterside Lincoln Limited Partnership

During 2011 the Group formed a joint venture with Karoo Investment Fund II S.C.A SICAV-SIF ('Karoo') by selling 50% of the Group's interest in The Waterside Shopping Centre in Lincoln. As the Group and Karoo have common significant shareholders the formation of the joint venture was conditional upon shareholder approval which was granted on 1 April 2011. Included within loans to joint ventures was an amount of £7.4 million related to the Waterside Lincoln Limited Partnership, this was repaid on the disposal of the Waterside Lincoln Limited Partnership on 12 November 2014.

Notes to the Financial Statements continued

For the year ended 30 December 2014

31 Related party transactions continued

Acquisition of units in the Mall from Karoo Investment Fund and subscription of shares in Capital & Regional plc

Karoo is deemed to be a related party on account of Louis Norval and Neno Haasbroek's respective interests. Accordingly, the Company's acquisition of units from Karoo and Karoo's subscriptions for 73,540,911 shares in the Placing, which both completed on 14 July 2014, were related party transactions for which specific shareholder approval was obtained at the General Meeting on 9 July 2014.

In addition, as part of the Capital Raise, Investec Wealth & Investment Limited, on behalf of a connected person of Louis Norval, acquired 15,424,697 New Ordinary Shares and Pinelake International, a connected party of Louis Norval and Neno Haasbroek, acquired 8,510,638, both as part of the Placing.

Performance fees

Certain entities in the Group may receive performance fees when investors realise their interests in the underlying funds or joint ventures, either at the end of the life of the fund, on the sale of some or all of the underlying properties, or through another realisation mechanism such as a listing. Except where stated below, no performance fees were received from or paid in either the current or preceding year.

The Mall Fund

A performance fee liability was triggered in September 2014 on the redemption offer being made to all remaining minorities (see note 25). £5.9 million of the total of £11.8 million payable was due to CRPM and has been eliminated on consolidation.

Kingfisher Limited Partnership

CRPM will earn an additional equity return if distributions result in a geared return in excess of a 15% IRR. Part of any receipt may be payable to certain key CRPM management and staff as part of their incentive plans. The Group will bear 20.00% of the cost by virtue of its investment in the Partnership.

Waterside Lincoln Limited Partnership

CRPM earned sale and performance fees of £0.9 million on the sale of the Waterside Lincoln Limited Partnership on 12 November 2014. The Group bore 50.00% of the cost by virtue of its investment in the Partnership.

Broadwalk Shopping Centre, Edgware

With respect to the Broadwalk Shopping Centre, Edgware, CRPM will earn a promote fee if development profits relating to the centre exceed £10 million.

Transactions with key personnel

In accordance with IAS 24, key personnel are considered to be the executive and non-executive directors as they have the authority and responsibility for planning, directing and controlling the activities of the Group. Their remuneration in the income statement is as follows:

	Year to 30 December 2014 £m	Year to 30 December 2013 £m
Short term employment benefits	**2.5**	2.3
Post-employment benefits	**0.2**	0.3
Payment for loss of office	**–**	0.4
Share-based payments[1]	**0.3**	0.5
	3.0	3.5

1 Share-based payments relate to amounts awarded under the 2008 LTIP.

32 Dividends

	Year to 30 December 2014 £m	Year to 30 December 2013 £m
Interim dividend per share paid for year ended 30 December 2013 of 0.25p	**–**	0.9
Second interim dividend per share paid for year ended 30 December 2013 of 0.40p	**1.4**	–
Interim dividend per share paid for year ended 30 December 2014 of 0.35p	**2.4**	–
Amounts recognised as distributions to equity holders in the year	**3.8**	0.9
Proposed final dividend per share for year ended 30 December 2014 of 0.60p[1]	**4.2**	–

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.

Company Balance Sheet

As at 30 December 2014

Registered number: 01399411

Prepared in accordance with UK GAAP

	Note	2014 £m	2013 £m
Fixed assets			
Investments	C	**333.5**	77.8
Current assets			
Debtors – amounts falling due within one year	D	**126.5**	160.2
Debtors – amounts falling due after more than one year	D	**13.6**	14.8
Cash and deposits		**–**	–
Total current assets		**140.1**	175.0
Creditors – amounts falling due within one year			
Trade and other creditors	E	**(73.6)**	(65.2)
Total current liabilities		**(73.6)**	(65.2)
Net current assets		**66.5**	109.8
Net assets		**400.0**	187.6
Capital and reserves			
Called-up share capital	F	**7.0**	9.9
Share premium	F	**157.2**	–
Merger reserve	F	**60.3**	60.3
Capital redemption reserve	F	**4.4**	4.4
Retained earnings	F	**171.1**	113.0
Shareholders' funds		**400.0**	187.6

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 26 March 2015 by:

Charles Staveley
Group Finance Director

Notes to the Company Financial Statements

For the year ended 30 December 2014

A Accounting policies

Although the Group consolidated financial statements are prepared under IFRS, the Company financial statements for Capital & Regional plc presented in this section are prepared under UK GAAP. The main accounting policies have been applied consistently in the current year and the preceding year.

Investments, amounts owed by subsidiaries and amounts owed by associates and joint ventures are stated at cost less provision for impairment. Where there is an indication that an investment is impaired, an impairment review is carried out by comparing the carrying value of the investment against its recoverable amount, which is the higher of its estimated value in use and fair value. This review involves accounting judgements about the future cash flows from the underlying associates and joint ventures and, in the case of CRPM, estimated asset management fee income less estimated fixed and variable expenses.

Transactions in foreign currencies are translated into Sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the exchange rate ruling at that date and differences arising on translation are recognised in the income statement.

The Company's related party transactions are described in note 31 to the Group financial statements. Except for the Directors, the Company had no direct employees during the year (2013: none). Information on the directors' emoluments, share options, long-term incentive schemes and pension contributions is shown in the Directors' Remuneration Report.

B Profit for the year

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders was £55.5 million (2013: £10.1 million).

C Fixed asset investments

	Subsidiaries £m	Joint ventures £m	Other investments £m	**Total £m**
At the start of the year	76.8	1.0	–	**77.8**
Investment	209.5	–	–	**209.5**
Reversal of impairment of investments	46.2	–	–	**46.2**
At the end of the year	332.5	1.0	–	**333.5**

Note G shows the principal subsidiaries, associates and joint ventures held by the Group and the Company.

D Debtors

Amounts falling due within one year	**2014 £m**	2013 £m
Amounts owed by subsidiaries	**125.3**	159.1
Other receivables	**1.2**	1.1
	126.5	160.2

Amounts falling due after more than one year	**2014 £m**	2013 £m
Amounts owed by joint ventures	**13.6**	14.8
	13.6	14.8

E Trade and other creditors

Amounts falling due within one year	2014 £m	2013 £m
Amounts owed to subsidiaries	**72.9**	64.4
Trade payables	**–**	0.1
Accruals and deferred income	**0.7**	0.7
	73.6	65.2

F Called-up share capital

	Non-distributable				Distributable		
	Share capital £m	Share Premium £m	Capital redemption reserve £m	Retained earnings £m	Retained earnings £m	Merger reserve £m	Total £m
At the start of the year	9.9	–	4.4	2.6	110.4	60.3	**187.6**
Retained profit for the year	–	–	–	0.3	55.2	–	**55.5**
New shares issued	3.5	157.2	–	–	–	–	**160.7**
Repurchase and cancellation of deferred shares	(6.4)	–	–	–	6.4	–	**–**
Dividends paid	–	–	–	–	(3.8)	–	**(3.8)**
At the end of the year	7.0	157.2	4.4	2.9	168.2	60.3	**400.0**

The Company's authorised, issued and fully paid-up share capital is described in note 19 to the Group financial statements. The other reserves are described in the consolidated statement of changes in equity in the Group financial statements.

Notes to the Company Financial Statements Continued

For the year ended 30 December 2014

G Principal subsidiaries, associates and joint ventures

	Nature of business	Share of voting rights
Incorporated/registered and operating in Great Britain		
Capital & Regional Earnings Limited	Property investment	100%
Capital & Regional Income Limited	Property investment	100%
Capital & Regional Holdings Limited	Property investment	100%*
Capital & Regional Property Management Limited	Property management	100%
Capital & Regional Units LLP	Property investment	100%
Snozone Limited	Operator of indoor ski slopes	100%
Kingfisher Limited Partnership	Property investment	20%
Incorporated/registered and operating in Jersey		
Capital & Regional Capital Partner Limited	Property investment	100%
Capital & Regional (Europe Holding 5) Limited	Property investment	100%
Capital & Regional (Europe LP) Limited	Property investment	50%*[1]
Capital & Regional (Europe LP 2) Limited	Property investment	50%*[1]
Capital & Regional (Europe LP 3) Limited	Property investment	50%*[1]
Capital & Regional (Europe LP 5) Limited	Property investment	50%*[1]
Capital & Regional (Europe LP 6) Limited	Property investment	50%*[1]
Euro B-Note Holding Limited	Finance	49.90%*
The Mall Unit Trust	Property investment	100%
Incorporated/registered in Jersey and operating in Great Britain		
Capital & Regional (Jersey) Limited	Property investment	100%
Capital & Regional Hemel Hempstead (Jersey) Limited	Property investment	100%*
Capital & Regional Overseas Holdings Limited	Property investment	100%

* Held directly by the Company or, in the case of the Europe LPs, part-held directly by the Company and part-held through a subsidiary and in the case of Euro B-Note Holding Limited, part held through a subsidiary and part held through the ESOT.

1 Holding reduced to 5.1% on 10 February 2015.

The shares of voting rights are equivalent to the percentages of ordinary shares or units held by the Group.

To avoid a statement of excessive length, details of investments which are not significant have been omitted. All of the above principal subsidiaries, associates and joint ventures have been consolidated in the Group financial statements. Investments in associates and joint ventures are analysed in notes 14d and 14e to the Group financial statements.

Five year review

	2014 £m	2013[1] £m	2012[1] £m	2011 £m	2010 £m
Balance sheet					
Property assets	**790.8**	–	78.4	80.0	80.8
Other non-current assets	**21.3**	23.5	24.4	34.3	27.1
Intangible assets	**–**	–	–	1.8	1.9
Investment in joint ventures	**–**	32.3	25.7	27.2	25.7
Investment in associates	**13.6**	112.1	80.7	120.2	110.8
Cash at bank	**42.6**	11.1	5.3	20.0	25.7
Assets classified as held for sale	**39.5**	8.5	32.2	–	–
Other net current liabilities	**(26.5)**	2.2	(7.2)	(13.0)	(10.2)
Bank loans greater than one year	**(396.8)**	–	(58.3)	(61.6)	(68.8)
Other non-current liabilities	**(65.5)**	(1.0)	(1.6)	(12.9)	(18.5)
Net assets	**419.0**	188.7	179.6	196.0	174.5
Financed by					
Called up share capital	**7.0**	9.9	9.9	9.9	9.9
Share premium account	**157.2**	–	–	–	–
Other reserves	**65.3**	66.3	75.2	70.4	147.9
Retained earnings	**189.5**	112.5	94.5	115.7	16.7
Capital employed	**419.0**	188.7	179.6	196.0	174.5
Return on equity					
Return on equity (%)	**28.1%**	5.1%	(8.5)%	11.9%	33.9%
Increase/(decrease) in net assets per share + dividend (%)	**12.1%**	5.8%	(8.4)%	11.8%	35.1%
Total shareholder return	**24.7%**	53.9%	(9.5)%	(3.8)%	(2.2)%
Year end share price (pence)	**53p**	44p	29p	32p	33p
Total return					
Total comprehensive income/(expense)	**74.1**	9.2	(16.6)	20.7	44.0
Net assets per share (pence)					
Basic net assets per share	**60p**	54p	51p	56p	50p
EPRA triple net assets per share	**59p**	54p	51p	56p	50p
EPRA net assets per share	**59p**	56p	55p	63p	57p
Gearing (%)	**96.3%**	–	32.6%	34.3%	40.4%
Gearing (%) on a see through basis	**100.3%**	134.9%	179.2%	253.6%	305.0%
Income statement[1]					
Group revenue	**46.6**	17.6	22.0	28.9	30.7
Gross profit	**28.4**	9.6	13.1	17.2	20.3
Profit/(loss) on ordinary activities before financing	**77.0**	7.4	(13.3)	16.2	52.6
Net interest payable	**(9.8)**	(0.1)	0.6	(3.4)	(6.2)
Profit/(loss) before tax	**67.2**	7.3	(12.7)	12.8	46.4
Tax credit/(charge)	**2.5**	0.2	0.9	(2.0)	(2.0)
Profit/(loss) after tax	**69.7**	7.5	(11.8)	10.8	44.4
Operating Profit	**19.3**	13.0	16.3	15.0	13.6
Interest cover (x)	**4.4**	3.9	3.7	5.5	4.1
Earnings per share (pence)					
Basic[2]	**15p**	3p	(5)p	6p	13p
Diluted[2]	**15p**	3p	(5)p	6p	13p
EPRA[2]	**3p**	2p	1p	5p	4p
Dividends per share	**0.95p**	0.65p	–	–	–

1 2013 and 2012 results have been restated from those originally presented in those respective years to separate discontinued operations as explained in note 26.
2 Continuing and discontinued operations.

Capital & Regional

Other Information

Glossary of Terms

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from The Mall 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 value during the year for properties held at the balance sheet date, after taking account of capital expenditure and exchange translation movements, 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) Operating 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 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 net rent generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties, which is in line with EPRA's best practice recommendations.

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.

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.

Property under management is the valuation of properties for which CRPM is the asset manager.

Operating Profit is the total of Contribution from The Mall 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) before tax. Operating 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.

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 proforma proportionately consolidated balance sheet of the Group and its associates and joint ventures.

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

Temporary lettings are those lettings for one year or less.

Topped-up net initial yield is the net initial yield adjusted for the expiration of rent-free periods or other unexpired lease incentives.

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.

Vacancy rate is the ERV of vacant properties expressed as a percentage of the total ERV of the portfolio, excluding development properties, in line with EPRA's best practice recommendations.

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.

Property Information

As at 30 December 2014

Property Under Management

	30 December 2014 £m	30 December 2013 £m	30 December 2012 £m	30 December 2011 £m	30 December 2010 £m
Wholly owned	**745**	–	81	81	82
Associates	**151**	820	983	1,824	2,132
Joint ventures	**–**	368	365	576	547
Other property	**–**	–	–	–	71
Total	**896**	1,188	1,429	2,481	2,832

Excludes The Broadwalk Centre, Edgware in which the Group has no investment interest. Figures exclude adjustments to property valuations for tenant incentives and head leases treated as finance leases. Trading properties are included at the lower of cost and net realisable value.

Property Information

At 30 December 2014

The Mall properties

Property	Description	Lettable space (sq feet)	Car park spaces	Principal occupiers	Number of lettable units
Valued at £125m plus					
The Mall, Luton	Leasehold covered shopping centre on two floors, offices extending to over 65,000 sq ft	900,000	1,706	Debenhams, Boots, Primark, H&M, Next, Topshop, Marks & Spencer, Wilko, TK Maxx	159
The Mall, Wood Green	Freehold, partially open shopping centre, on two floors with nearly 40,000 sq ft of offices	540,000	1,500	Primark, Wilko, H&M, Boots, Argos, TK Maxx, WH Smith, New Look, Next	103
Valued at £70m to £125m					
The Mall, Blackburn	Leasehold partially covered shopping centre on three floors	600,000	1,304	Primark, Debenhams, H&M, Next, Boots, Argos	126
The Mall, Maidstone	Freehold covered shopping centre on three floors with offices extending to 40,000 sq ft	500,000	1,050	Boots, New Look, Wilko, Next, Sports Direct	101
The Mall, Camberley	Part leasehold covered shopping centre on one floor	390,000	1,040	House of Fraser, Topshop, Boots, Primark, Sainsbury's, Argos, River Island	157
The Mall, Walthamstow	Leasehold covered shopping centre on two floors	260,000	850	Asda, Boots, New Look, River Island, Topshop	65
Other properties					
Valued at above £125m plus					
Kingfisher Shopping Centre, Redditch (20%)	Freehold covered shopping centre on two principal trading levels	900,000	2,639	Debenhams, Marks & Spencer, Primark, Next, Arcadia, TK Maxx	174

Mall Portfolio Information (100% Figures)

At 30 December 2014

Physical data	
Number of properties	6
Number of lettable units	711
Lettable space (sq feet – '000s)	3,220
Valuation data	
Properties at independent valuation (£m)	744.7
Adjustments for head leases and tenant incentives (£m)	46.1
Properties as shown in the financial statements (£m)	**790.8**
Revaluation in the year (£m)	42.0
Initial yield	6.3%
Equivalent yield	6.5%
Property level return	14.8%
Reversionary	16.3%
Loan to value ratio	51.0%
Net debt to value ratio[1]	48.1%
Lease length (years)	
Weighted average lease length to break	7.8
Weighted average lease length to expiry	8.9
Passing rent (£m) of leases expiring in:	
2015	7.7
2016	5.4
2017–2019	9.5
ERV (£m) of leases expiring in:	
2015	8.8
2016	5.5
2017–2019	10.3
Passing rent (£m) subject to review in:	
2015	7.2
2016	4.0
2017–2019	8.1
ERV (£m) of passing rent subject to review in:	
2015	7.4
2016	3.7
2017–2019	8.3
Rental Data	
Contracted rent at year end (£m)	56.6
Passing rent at year end (£m)	53.5
ERV at year end (£m per annum)	62.3
ERV movement (%)	0.5%
Vacancy rate (%)	3.4%
Like for like net rental income (100%)	
Current year net rental income (£m)	
Properties owned throughout 2013/2014	47.9
Disposals	0.2
Net rental income	**48.1**
Prior year net rental income (£m)	
Properties owned throughout 2013/2014	47.9
Disposals	4.8
Net rental income	**52.7**

[1] Adjusted for £8.9 million of payments due in respect of Mall performance fees and Mall income due to former unit holders.

EPRA Performance Measures

As at 30 December 2014

	2014	2013
EPRA earnings (£m)[1]	**17.9**	8.5
EPRA earnings per share[1]	**3p**	2p
EPRA net assets (£m)	**418.1**	195.3
EPRA net assets per share	**59p**	56p
EPRA triple net assets (£m)	**414.5**	188.7
EPRA triple net assets per share	**59p**	54p
EPRA net initial yield	**5.7%**	6.3%
EPRA topped-up net initial yield	**6.1%**	6.7%
EPRA vacancy rate (UK portfolio only)	**3.6%**	4.4%

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

	2014 £m	2013 £m
Investment property – wholly owned	**744.7**	8.5
Investment property – share of joint ventures and associates	**30.2**	411.5
Less developments	**–**	(8.4)
Completed property portfolio	**774.9**	411.6
Allowance for capital costs	**27.7**	8.2
Allowance for estimated purchasers' costs	**44.8**	14.3
Grossed up completed property portfolio valuation	**847.4**	434.1
Annualised cash passing rental income	**58.9**	32.3
Property outgoings	**(10.2)**	(4.9)
Annualised net rents	**48.7**	27.4
Add: notional rent expiration of rent free periods or other lease incentives	**3.1**	1.5
Topped up annualised rent	**51.8**	28.9
EPRA net initial yield	**5.7%**	6.3%
EPRA topped-up net initial yield	**6.1%**	6.7%

1 Continuing and discontinued operations.

Covenant Information

Based on data as at 30 December 2014

	See through borrowings £m	Covenant	30 December 2014	Future changes
Core revolving credit facility (100%)				
Asset cover	23.4	Greater than 200%	863%	
Gearing		Less than 50%	6%	
ICR		Greater than 150%	2000%	
The Mall (100%)				
LTV	380.0	75%	57%[1]	
ICR		Greater than 125%	244%	
Redditch (20%)				
LTV	16.9	73%	56%	Reducing to 69% in May 2015
ICR		Greater than 175%	230%	Reducing to 200% in May 2015
Debt to rent[2]		< 1000%	956%	
	420.3			

1 Based on bank valuation at 31 March 2014, updated annually.
2 Agreement has been reached with the banks to remove this covenant.

Advisers and Corporate Information

Auditor
Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London EC4A 3BZ

Investment bankers/brokers
JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Principal legal advisors
Olswang LLP
90 High Holborn
London WC1V 6XX

Principal lending bankers
Bank of Scotland Plc part of Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

Principal valuers
CBRE Limited
Kingsley House
1a Wimpole Street
London W1G 0RE

Cushman & Wakefield LLP
43/45 Portman Square
London W1A 3BG

Registered office
52 Grosvenor Gardens
London SW1W 0AU
Telephone: +44 (0)20 7932 8000
Facsimile: +44 (0)20 7802 5600
www.capreg.com

Registered number
01399411

Shareholder Information

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0871 384 2438*
International dialling: +44 (0)121 415 7047

* Calls to 0871 telephone numbers are charged at 8p per minute plus network extras.
Lines open 08:30 - 17:30, Monday to Friday, excluding bank holidays.

2015 financial calendar

Annual General Meeting	– 12 May 2015
2015 interim results	– August 2015
2015 annual results	– March 2016