

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser, who is authorised under the FSMA if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares in certificated form before the Ex-entitlement Date please send this document, together with the accompanying Form of Proxy and any Application Form, if received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that none of these documents should be distributed, forwarded to or transmitted in or into any jurisdiction where to do so may constitute a violation of local securities laws or regulations, including, but not limited to, the Excluded Territories. If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares held in uncertificated form before the Ex-entitlement Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Basic Entitlements and Excess CREST Open Offer Entitlements to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares held in certificated form before the Ex-entitlement Date, you should refer to the instruction regarding split applications set out in the Application Form.

This document, which comprises (i) a circular prepared for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document; and (ii) a prospectus relating to the Ordinary Shares prepared in accordance with the Prospectus Rules, has been approved by the FCA in accordance with section 87A of FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

The Existing Ordinary Shares are admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. As the Acquisition is classified as a reverse takeover under the Listing Rules, upon completion of the Acquisition the listing on the premium listing segment of the Official List of all of the Existing Ordinary Shares will be cancelled, and application will be made for the immediate readmission of those Existing Ordinary Shares and the admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings in the Existing Ordinary Shares and the New Ordinary Shares will commence at 8.00 a.m. on 14 July 2014.

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## **CAPITAL & REGIONAL PLC**

*(incorporated and registered in England and Wales with registered number 01399411)*

### **Proposed Acquisition of Units in the Mall Unit Trust**

**and**

### **Application for Admission**

**and**

### **Proposed Firm Placing of 70,253,131 New Ordinary Shares and Proposed Placing and Open Offer of 280,810,699 New Ordinary Shares at 47 pence per New Ordinary Share**

**and**

### **Notice of General Meeting**

## **Numis and J.P. Morgan Cazenove**

*Joint Sponsors, Joint Bookrunners and Joint Brokers*

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The latest time and date for acceptance and payment in full for the New Ordinary Shares under the Open Offer is 11.00 a.m. on 8 July 2014. The procedures for acceptance and payment are set out in Part IV (*Terms and Conditions of the Capital Raising*) of this document and, for Qualifying Non-CREST Shareholders only, also in the Application Form. Qualifying CREST Shareholders (who will not receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements and Excess CREST Open Offer Entitlements which is expected to be enabled for settlement on 24 June 2014.

This document should be read in its entirety by Shareholders and any other person contemplating a purchase of New Ordinary Shares. Your attention is drawn to the Letter from the Chairman of Capital & Regional Plc which is set out in Part I of this document and which contains a recommendation from your Board that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. Your attention is also drawn to the section headed "*Risk Factors*" for a discussion of certain factors that should be considered by Shareholders and potential new investors when considering the matters referred to in this document.

Notice of a General Meeting of the Company to be held at 2.00 p.m. on 9 July 2014 at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW is set out at the end of this document. You will find enclosed with this document a Form of Proxy for use at the meeting. Whether or not you intend to attend the General Meeting in person, you are asked to complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's Registrar, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible and in any event no later than 2.00 p.m. on 7 July 2014 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). You may also submit your proxy electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk) using the Voting ID, Task ID and Shareholder Reference Number on the Form of Proxy. If you hold your Ordinary Shares in uncertificated form (i.e. in CREST), you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Company's Registrar (under CREST participant RA19) by no later than 2.00 p.m. on 7 July 2014 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting or any adjournment thereof, if you wish to do so.

Investors should only rely on the information contained in this document and contained in any documents incorporated into this document by reference. No person has been authorised to give any information or make any representations other than those contained in this document and any document incorporated by reference and, if given or made, such information or representation must not be relied upon as having been so authorised by Capital & Regional, the Board, J.P. Morgan Cazenove or Numis. Capital & Regional will comply with its obligation to publish supplementary prospectuses or circulars containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

J.P. Morgan Cazenove, which is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the FCA in the United Kingdom, and Numis, which is authorised and regulated by the FCA in the United Kingdom, are acting exclusively for Capital & Regional and no-one else in connection with the Acquisition, the Capital Raising and Admission and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Acquisition, the Capital Raising or Admission and will not be responsible for providing the protections afforded to respective clients of J.P. Morgan Cazenove and Numis nor for giving advice in relation to the Acquisition, the Capital Raising and Admission, or any arrangement referred to, or information contained in, this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on J.P. Morgan Cazenove and Numis under FSMA or the regulatory regime established thereunder, neither of J.P. Morgan Cazenove or Numis accepts any responsibility whatsoever nor makes any representation or warranty, express or implied, concerning the contents of this document including its accuracy, completeness or verification or concerning any other statement made or purported to be made by it, or on its behalf in connection with the Company, the Acquisition, the New Ordinary Shares, the Capital Raising or Admission and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Subject to applicable law, each of J.P. Morgan Cazenove and Numis disclaims all and any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) which it might otherwise have in respect of this document.

Subject to FSMA, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time after this date. Without limitation, the contents of the Group's website do not form part of this document.

## **NOTICE TO OVERSEAS SHAREHOLDERS**

**EXCEPT AS OTHERWISE SET OUT HEREIN, THE FIRM PLACING AND PLACING AND OPEN OFFER DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN ANY EXCLUDED TERRITORIES. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

## **NOTICE TO US PERSONS**

**This document, including the Application Form, does not constitute an offer of Basic Entitlements, Excess CREST Open Offer Entitlements or New Ordinary Shares to any person with a registered address in, or who is resident in, the United States or any US Person. The Basic Entitlements, Excess CREST Open Offer Entitlements and the New Ordinary Shares have not been and will not be registered under the Securities Act, or with any regulatory authority or under the applicable securities laws of any state or other jurisdiction of the United States, and the Basic Entitlements, Excess CREST Open Offer Entitlements and the New Ordinary Shares may not be offered, sold, pledged, or otherwise transferred directly or indirectly to (or for the account or benefit of) any US Person, or in or into the United States (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities law. This document does not constitute an offer of Basic Entitlements or Excess CREST Open Offer Entitlements or an offer to sell or a solicitation of an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. There will be**

no public offer of the New Ordinary Shares, Basic Entitlements or Excess CREST Open Offer Entitlements in the United States.

#### **NOTICE TO PROSPECTIVE INVESTORS IN AUSTRALIA**

No prospectus or any other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia (the “Corporations Act”)) in relation to the offer contained in this document has been, nor will they need to be, lodged with the Australian Securities & Investments Commission (the “ASIC”). This prospectus is not a “Prospectus” under Chapter 6D of the Corporations Act. Any offer of New Ordinary Shares in Australia is made only to persons to whom it is lawful to offer New Ordinary Shares without disclosure under one or more of certain of the exemptions set out in section 708 of the Corporations Act, or an “exempt person”. This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

- (a) you confirm and warrant that you are either:
  - (i) a “sophisticated investor” under section 708(8)(a) or (b) of the Corporations Act; or
  - (ii) a “sophisticated investor” under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant’s certificate to us which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made; or
  - (iii) a “professional investor” within the meaning of section 708(11)(a) or (b) of the Corporations Act; and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor or professional investor under the Corporations Act, any offer made to you under this document is void and incapable of acceptance; and
- (b) you warrant and agree that you will not offer any Ordinary Shares for resale in Australia within 12 months of those Ordinary Shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 or 708A of the Corporations Act.

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS**

The offer contained in this document is solely directed to individuals or (legal) entities in the Netherlands who or which qualify as qualified investors (gekwalificeerde beleggers) within the meaning of section 1:1 of the Dutch Act on Financial Supervision (Wet op het financieel toezicht) as amended from time to time. No approved prospectus is required pursuant to the Prospectus Directive in the Netherlands.

For a description of the restrictions on offers, sales and transfers of the New Ordinary Shares and the distribution of this document, see Part IV (*Terms and Conditions of the Capital Raising*) of this document.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this document or any Application Form, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 6 of Part IV (*Terms and Conditions of the Capital Raising*) of this document.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information for any purposes other than in considering an investment in Capital & Regional or the acquisition of New Ordinary Shares is prohibited, except to the extent such information is otherwise publicly available. By accepting delivery of, or accessing, this document, each offeree of the New Ordinary Shares agrees to the foregoing.

The contents of this document or any subsequent communication from Capital & Regional, J.P. Morgan Cazenove or Numis or any of their respective affiliates, officers, directors, employees or agents are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

**23 June 2014**

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## SUMMARY

*Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A-E (A.1-E.7).*

*This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.*

<b>Section A – Introduction and warnings</b>		
<b>A.1</b>	Warning	<p><b>THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS PROSPECTUS.</b></p> <p><b>ANY DECISION TO INVEST IN THE SECURITIES SHOULD BE BASED ON CONSIDERATION OF THIS PROSPECTUS AS A WHOLE BY THE INVESTOR.</b></p> <p><b>WHERE A CLAIM RELATING TO THE INFORMATION CONTAINED IN THIS PROSPECTUS IS BROUGHT BEFORE A COURT, THE PLAINTIFF INVESTOR MIGHT, UNDER THE NATIONAL LEGISLATION OF A MEMBER STATE OF THE EUROPEAN UNION, HAVE TO BEAR THE COSTS OF TRANSLATING THIS PROSPECTUS BEFORE THE LEGAL PROCEEDINGS ARE INITIATED.</b></p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or it does not provide, when read together with the other parts of this prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
<b>A.2</b>	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this prospectus to the use of this prospectus for subsequent resale or final placement of securities by financial intermediaries.
<b>Section B – Issuer and any guarantor</b>		
<b>B.1</b>	Legal and Commercial Name	Capital & Regional plc (the “ <b>Company</b> ”).
<b>B.2</b>	Domicile/ Legal Form/ Legislation/ Country of Incorporation	The Company is a public limited company, incorporated on 13 November 1978 in the United Kingdom with its registered office situated in England and Wales. The Company operates under the Companies Act.
<b>B.3</b>	Current operations and principal activities and markets	<p>The Company is a specialist property company with a focus on retail assets and, in particular, those that can be characterised as dominant community shopping centres in the UK.</p> <p>The principal activity of the Company is the generation of rental income and capital growth from its role as an investor and as a property asset manager.</p> <p>The Company’s core areas of expertise are UK and German retail real estate markets.</p>

<p><b>B.4a</b></p>	<p>Significant recent trends affecting the Group and its industry</p>	<p>The retail property landscape in town centres in the UK has changed fundamentally over the past five years. The significant supply of space on the high street and continuing competition from out of town retail parks has meant that occupiers have become highly selective on location. This has influenced the Group's strategy of investing in accessible, dominant and attractive retail locations, where rents are affordable to tenants. By adopting this approach, the Group can maintain and improve occupancy and grow rents as the Directors believe that retailers will select these locations ahead of areas where voids are high and the environment has not been maintained to a standard that reflects their brand.</p> <p>The UK retail industry is also a dynamic industry reacting to and reflecting consumer behaviours, particularly in response to technological advances. While the growth in online retailing presents competition to in-store physical sales, there is evidence that retailers that embrace a multichannel strategy tend to be more profitable than those which purely sell online. As such, the service of enabling shoppers to collect goods that have been previously bought online, known as "click &amp; collect", offers a growth opportunity for UK shopping centres.</p> <p>As retailers evolve in a multichannel environment, the challenge for the industry and the Group is to anticipate and respond to the changing landscape by providing relevant and attractive places in which retailers can profitably operate. As shoppers continue to embrace these changing habits, the Directors believe that those retail centres providing convenient, accessible and attractive destinations will thrive.</p>																																																																																
<p><b>B.5</b></p>	<p>Description of the Group</p>	<p>The Company is the parent company of the Group.</p> <p>The table below contains a list of the principal subsidiary undertakings, joint ventures and associates of the Company (each of which is considered by the Group to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Group):</p> <table border="1" data-bbox="566 1220 1428 1848"> <thead> <tr> <th data-bbox="566 1220 917 1299">Name</th> <th data-bbox="917 1220 1109 1299">Country of incorporation</th> <th data-bbox="1109 1220 1268 1299">Proportion of ownership interest</th> <th data-bbox="1268 1220 1428 1299">Proportion of voting power held</th> </tr> </thead> <tbody> <tr> <td>Capital &amp; Regional Earnings Limited</td> <td>England &amp; Wales</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Capital &amp; Regional Income Limited</td> <td>England &amp; Wales</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Capital &amp; Regional Holdings Limited</td> <td>England &amp; Wales</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Capital &amp; Regional Property Management Limited</td> <td>England &amp; Wales</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Capital &amp; Regional Units LLP</td> <td>England &amp; Wales</td> <td>100%<sup>1</sup></td> <td>100%</td> </tr> <tr> <td>Snozone Limited</td> <td>England &amp; Wales</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Waterside Lincoln Limited Partnership</td> <td>England &amp; Wales</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Kingfisher Limited Partnership</td> <td>England &amp; Wales</td> <td>20%</td> <td>20%</td> </tr> <tr> <td>Garigal Asset Management GmbH</td> <td>Germany</td> <td>30.06%</td> <td>30.06%</td> </tr> <tr> <td>Capital &amp; Regional Capital Partner Limited</td> <td>Jersey</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Capital &amp; Regional (Europe Holding 5) Limited</td> <td>Jersey</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Capital &amp; Regional (Europe LP) Limited</td> <td>Jersey</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Capital &amp; Regional (Europe LP 2) Limited</td> <td>Jersey</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Capital &amp; Regional (Europe LP 3) Limited</td> <td>Jersey</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Capital &amp; Regional (Europe LP 5) Limited</td> <td>Jersey</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Capital &amp; Regional (Europe LP 6) Limited</td> <td>Jersey</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Euro B-Note Holding Limited</td> <td>Jersey</td> <td>49.90%</td> <td>49.90%</td> </tr> <tr> <td>The Mall Unit Trust</td> <td>Jersey</td> <td>29.26%</td> <td>29.26%</td> </tr> <tr> <td>Capital &amp; Regional (Jersey) Limited</td> <td>Jersey</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table> <p><sup>1</sup> The two members of Capital &amp; Regional Units LLP are Capital &amp; Regional Income Limited and Capital &amp; Regional Capital Partner Limited</p>	Name	Country of incorporation	Proportion of ownership interest	Proportion of voting power held	Capital & Regional Earnings Limited	England & Wales	100%	100%	Capital & Regional Income Limited	England & Wales	100%	100%	Capital & Regional Holdings Limited	England & Wales	100%	100%	Capital & Regional Property Management Limited	England & Wales	100%	100%	Capital & Regional Units LLP	England & Wales	100% <sup>1</sup>	100%	Snozone Limited	England & Wales	100%	100%	Waterside Lincoln Limited Partnership	England & Wales	50%	50%	Kingfisher Limited Partnership	England & Wales	20%	20%	Garigal Asset Management GmbH	Germany	30.06%	30.06%	Capital & Regional Capital Partner Limited	Jersey	100%	100%	Capital & Regional (Europe Holding 5) Limited	Jersey	100%	100%	Capital & Regional (Europe LP) Limited	Jersey	50%	50%	Capital & Regional (Europe LP 2) Limited	Jersey	50%	50%	Capital & Regional (Europe LP 3) Limited	Jersey	50%	50%	Capital & Regional (Europe LP 5) Limited	Jersey	50%	50%	Capital & Regional (Europe LP 6) Limited	Jersey	50%	50%	Euro B-Note Holding Limited	Jersey	49.90%	49.90%	The Mall Unit Trust	Jersey	29.26%	29.26%	Capital & Regional (Jersey) Limited	Jersey	100%	100%
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<p><b>B.6</b></p>	<p>Major shareholders</p>	<p>As at 19 June 2014 (being the latest practicable date prior to the publication of this document), the Company had been notified of, or was otherwise aware of, the following persons who are directly or indirectly interested in 3 per cent. or more of the existing issued ordinary share capital of the Company:</p> <table border="1" data-bbox="571 302 1442 719"> <thead> <tr> <th style="text-align: left;">Shareholder</th> <th style="text-align: right;">Number of Ordinary Shares</th> <th style="text-align: right;">Percentage interest in issued ordinary share capital</th> </tr> </thead> <tbody> <tr> <td>PDI Investment Holdings Limited</td> <td style="text-align: right;">82,505,610</td> <td style="text-align: right;">23.59</td> </tr> <tr> <td>Henderson Global Investors</td> <td style="text-align: right;">47,754,383</td> <td style="text-align: right;">13.66</td> </tr> <tr> <td>Standard Life Investments</td> <td style="text-align: right;">34,843,641</td> <td style="text-align: right;">9.96</td> </tr> <tr> <td>Morgan Stanley Investment Management</td> <td style="text-align: right;">27,574,701</td> <td style="text-align: right;">7.89</td> </tr> <tr> <td>Pinelake International</td> <td style="text-align: right;">18,924,243</td> <td style="text-align: right;">5.41</td> </tr> <tr> <td>Blackrock</td> <td style="text-align: right;">12,773,308</td> <td style="text-align: right;">3.65</td> </tr> <tr> <td>APG Asset Management</td> <td style="text-align: right;">12,320,147</td> <td style="text-align: right;">3.52</td> </tr> <tr> <td>Legal &amp; General Investment Management</td> <td style="text-align: right;">11,627,199</td> <td style="text-align: right;">3.33</td> </tr> </tbody> </table> <p>The Company's major shareholders do not have different voting rights.</p> <p>As at 19 June 2014 (being the latest practicable date prior to the publication of this document), the Company was not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.</p>	Shareholder	Number of Ordinary Shares	Percentage interest in issued ordinary share capital	PDI Investment Holdings Limited	82,505,610	23.59	Henderson Global Investors	47,754,383	13.66	Standard Life Investments	34,843,641	9.96	Morgan Stanley Investment Management	27,574,701	7.89	Pinelake International	18,924,243	5.41	Blackrock	12,773,308	3.65	APG Asset Management	12,320,147	3.52	Legal & General Investment Management	11,627,199	3.33													
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<p><b>B.7</b></p>	<p>Selected historical key financial information</p>	<p>The selected historical financial information relating to the Company set out below has been extracted without material adjustment from the audited reports and accounts of the Group prepared under IFRS for the financial years ended 30 December 2011, 30 December 2012 and 30 December 2013:</p> <p><b>Income statement data:</b></p> <table border="1" data-bbox="571 1137 1442 1742"> <thead> <tr> <th></th> <th style="text-align: right;">For the financial year ended 30 December 2013 £m</th> <th style="text-align: right;">For the financial year ended 30 December 2012<sup>1</sup> £m</th> <th style="text-align: right;">For the financial year ended 30 December 2011<sup>2</sup> £m</th> </tr> </thead> <tbody> <tr> <td><b>Continuing operations</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Revenue</td> <td style="text-align: right;">17.6</td> <td style="text-align: right;">22.0</td> <td style="text-align: right;">28.9</td> </tr> <tr> <td><b>Gross profit</b></td> <td style="text-align: right;">9.6</td> <td style="text-align: right;">13.1</td> <td style="text-align: right;">17.2</td> </tr> <tr> <td><b>Profit/(loss) on ordinary activities before financing</b></td> <td style="text-align: right;">9.1</td> <td style="text-align: right;">(13.3)</td> <td style="text-align: right;">16.2</td> </tr> <tr> <td><b>Profit/(loss) before tax</b></td> <td style="text-align: right;">9.3</td> <td style="text-align: right;">(12.7)</td> <td style="text-align: right;">12.8</td> </tr> <tr> <td><b>Profit/(loss) for the year from continuing operations</b></td> <td style="text-align: right;">9.5</td> <td style="text-align: right;">(11.8)</td> <td style="text-align: right;">10.8</td> </tr> <tr> <td><b>Profit/(loss) for the year Continuing and discontinued operations</b></td> <td style="text-align: right;">9.1</td> <td style="text-align: right;">(16.0)</td> <td style="text-align: right;">21.1</td> </tr> <tr> <td>Basic earnings/(loss) per share</td> <td style="text-align: right;">3p</td> <td style="text-align: right;">(5)p</td> <td style="text-align: right;">6p</td> </tr> <tr> <td>Diluted earnings/(loss) per share</td> <td style="text-align: right;">3p</td> <td style="text-align: right;">(5)p</td> <td style="text-align: right;">6p</td> </tr> </tbody> </table> <p>1 2012 results were restated in the Company's 2013 Annual Report to reclassify the results in respect of the Group's interest in Great Northern Warehouse and Leisure World, Hemel Hempstead as discontinued operations. This restatement did not impact loss for the year or have any impact on net asset value compared to the 2012 results originally published.</p> <p>2 2011 results were restated in the Company's 2012 Annual Report to reclassify the results in respect of the Group's interest in Xscape Braehead, X-Leisure and The Junction Fund as discontinued operations. This restatement did not impact loss for the year or have any impact on net asset value compared to the 2011 results originally published. If 2011 results were to be further restated in line with 2013 to also show the results in respect of the Group's interest in Great Northern Warehouse and Leisure World, Hemel Hempstead as discontinued operations, this would result in £2.3 million of profit for the year from</p>		For the financial year ended 30 December 2013 £m	For the financial year ended 30 December 2012 <sup>1</sup> £m	For the financial year ended 30 December 2011 <sup>2</sup> £m	<b>Continuing operations</b>				Revenue	17.6	22.0	28.9	<b>Gross profit</b>	9.6	13.1	17.2	<b>Profit/(loss) on ordinary activities before financing</b>	9.1	(13.3)	16.2	<b>Profit/(loss) before tax</b>	9.3	(12.7)	12.8	<b>Profit/(loss) for the year from continuing operations</b>	9.5	(11.8)	10.8	<b>Profit/(loss) for the year Continuing and discontinued operations</b>	9.1	(16.0)	21.1	Basic earnings/(loss) per share	3p	(5)p	6p	Diluted earnings/(loss) per share	3p	(5)p	6p
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Diluted earnings/(loss) per share	3p	(5)p	6p																																							

continuing operations being restated as discontinued operations, the profit for the year of £21.1 million would remain unchanged and there would be no impact upon net asset value.

**Balance sheet data:**

	<b>30-Dec 2013 £m</b>	<b>30-Dec 2012 £m</b>	<b>30 -Dec 2011 £m</b>
<b>Total assets</b>	<b>194.3</b>	<b>254.1</b>	<b>288.5</b>
<b>Total liabilities</b>	<b>(5.6)</b>	<b>(74.5)</b>	<b>(92.5)</b>
<b>Net assets</b>	<b>188.7</b>	<b>179.6</b>	<b>196.0</b>
Basic net assets per share	<b>£0.54</b>	£0.51	£0.56
EPRA net assets per share	<b>£0.56</b>	£0.55	£0.63

Save as set out below, there have been no significant changes in the financial condition or operating results of the Group during the period covered by the audited annual reports and accounts of the Group for the years ended 30 December 2011, 30 December 2012 and 30 December 2013 and the period since 30 December 2013 (being the date of the Group's latest published audited annual report and accounts) until 20 June 2014, being the latest practicable date prior to the publication of this document:

- In April 2011, the Group entered into a 50/50 joint venture with Karoo in respect of the Waterside Shopping Centre, Lincoln.
- In May 2012, the Group acquired a 20 per cent. interest in the Kingfisher Shopping Centre, Redditch for cash consideration of £10.6 million.
- In October 2012, the Group received net cash consideration of £11.4 million from the disposal of its 13.34 per cent. interest in the Junction Fund.
- In January 2013, the Group completed the disposals of its 11.9 per cent. interest in the X-Leisure Fund and its 50 per cent. interest in X-Leisure Limited for aggregate net cash consideration of £30.6 million.
- In October 2013, the Group completed the disposal of Morrison Merlin Limited, the owner of the Great Northern Warehouse, for net cash consideration of £12.0 million. The transaction resulted in the Group repaying all of its remaining on-balance sheet debt.
- Between 1 January 2011 and 30 December 2013, the Group acquired further units in the Mall Unit Trust to increase its holding from 16.72 per cent. to 29.26 per cent. of the Mall Unit Trust for an aggregate cash consideration of £38.9 million.



The selected historical financial information relating to the Mall Fund for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 as set out in the following tables has been extracted without material adjustment from the audited financial information in Part X (*Historical Financial Information on the Mall Fund*) of this document:

**Income statement data:**

	For the financial year ended 31 December 2013 £m	For the financial year ended 31 December 2012 £m	For the financial year ended 31 December 2011 £m
Revenue	77.4	94.8	117.0
<b>Gross profit</b>	<b>52.7</b>	64.0	77.7
<b>Profit on ordinary activities before financing</b>	<b>22.8</b>	7.2	62.1
<b>Profit before tax</b>	—	—	—

*All results are from continuing operations*

**Balance sheet data:**

	31-Dec 2013 £m	31-Dec 2012 £m	31-Dec 2011 £m
<b>Total assets</b>	<b>832.4</b>	1,044.0	1,171.0
Non-current borrowings	(378.6)	(568.5)	(658.2)
Puttable units of the Mall Unit Trust at amortised cost <sup>1</sup>	(340.9)	(331.2)	(351.9)
<b>Total liabilities</b>	<b>(832.1)</b>	(1,043.7)	(1,170.7)
<b>Net assets</b>	<b>0.3</b>	0.3	0.3

<sup>1</sup> The puttable units of the Mall Unit Trust at amortised cost represent the equity value of those units at the relevant balance sheet date.

Save as set out below, there have been no significant changes in the financial condition or operating results of the Mall Fund during the period covered by the financial information in Part X (*Historical Financial Information on the Mall Fund*) of this document and the period since 31 December 2013 until 20 June 2014, being the latest practicable date prior to the publication of this document:

- During 2011, the Mall Fund sold the Alhambra Centre, Barnsley and the Cleveland Centre, Middlesbrough for a combined net cash consideration of £108.1 million. The net sales proceeds helped to reduce the Mall Fund's debt by £165.4 million during the year to £662.3 million at 31 December 2011.
- In July 2012, the Mall Fund sold the Castle Mall, Norwich for net cash consideration of £77.3 million. The net sales proceeds along with cash generated from operations were used to pay down the Mall Fund's debt by £91.4 million.
- Revenue and gross profit of the Mall Fund for the year ended 31 December 2012 fell by £22.3 million and £13.7 million respectively as a result of the disposals referred to in the two preceding bullets.
- In July 2013, the Mall Fund sold the Pavillions, Uxbridge and the Gracechurch Centre, Sutton Coldfield for aggregate net cash consideration of £152.5 million. These net sale proceeds, in

		<p>conjunction, with other cash within the Mall Fund, were used to reduce the Mall Fund's debt by £191.4 million in 2013.</p> <ul style="list-style-type: none"> <li>● Revenue and gross profit of the Mall Fund for the year ended 31 December 2013 fell by £17.4 million and £11.3 million respectively as a result of the disposals referred to above.</li> <li>● On 30 May 2014, the Mall Limited Partnership entered into a senior facility agreement with, amongst others, Morgan Stanley &amp; Co International plc, which enabled the Mall Limited Partnership to settle the Mall Funding Loan on 30 May 2014, and provided a £25 million facility for use on planned capital expenditure projects. The repayment of the Mall Funding Loan triggered the termination of an interest rate swap which crystallised a liability of £10.7 million which was discharged in full on 30 May 2014.</li> </ul>																																																																				
<p><b>B.8</b></p>	<p>Selected key <i>pro forma</i> financial information</p>	<p>The following unaudited <i>pro forma</i> statement of net assets and <i>pro forma</i> income statement (the “<b>Pro Forma Financial Information</b>”) have been prepared to show the effect on the consolidated net assets of the Group had the Acquisition occurred on 30 December 2013 and on profit and losses of the Group as if the Acquisition had occurred on 31 December 2012.</p> <p>The Pro Forma Financial Information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation, and should be read in conjunction with the notes set out below. Due to its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.</p> <p><b>Unaudited <i>pro forma</i> consolidated net assets</b></p> <table border="1" data-bbox="571 1064 1442 1429"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Capital &amp; Regional consolidated net assets at 30 Dec 2013 £m</th> <th rowspan="2">Net assets of the Mall Fund at 31 December 2013 £m</th> <th colspan="4">Adjustments</th> <th rowspan="2">Pro forma consolidated net assets £m</th> </tr> <tr> <th>Reverse Mall Fund share in existing Capital &amp; Regional net assets £m</th> <th>Eliminate inter-group trading £m</th> <th>Capital Raising<sup>2</sup> £m</th> <th>Acquisition<sup>3</sup> £m</th> </tr> </thead> <tbody> <tr> <td>Total non-current assets</td> <td>167.9</td> <td>748.0</td> <td>(100.4)</td> <td>—</td> <td>—</td> <td>—</td> <td>815.5</td> </tr> <tr> <td>Total currents assets</td> <td>26.4</td> <td>84.4</td> <td>—</td> <td>(1.2)</td> <td>161.1</td> <td>(164.8)</td> <td>105.9</td> </tr> <tr> <td>Total assets</td> <td>194.3</td> <td>832.4</td> <td>(100.4)</td> <td>(1.2)</td> <td>161.1</td> <td>(164.8)</td> <td>921.4</td> </tr> <tr> <td>Total current liabilities</td> <td>(4.6)</td> <td>(33.7)</td> <td>—</td> <td>1.2</td> <td>—</td> <td>—</td> <td>(37.1)</td> </tr> <tr> <td>Total non-current liabilities</td> <td>(1.0)</td> <td>(798.4)</td> <td>—</td> <td>—</td> <td>—</td> <td>257.8</td> <td>(541.6)</td> </tr> <tr> <td>Total liabilities</td> <td>(5.6)</td> <td>(832.1)</td> <td>—</td> <td>1.2</td> <td>—</td> <td>257.8</td> <td>(578.7)</td> </tr> <tr> <td>Net assets</td> <td>188.7</td> <td>0.3</td> <td>(100.4)</td> <td>—</td> <td>161.1</td> <td>93.0</td> <td>342.7</td> </tr> </tbody> </table>		Capital & Regional consolidated net assets at 30 Dec 2013 £m	Net assets of the Mall Fund at 31 December 2013 £m	Adjustments				Pro forma consolidated net assets £m	Reverse Mall Fund share in existing Capital & Regional net assets £m	Eliminate inter-group trading £m	Capital Raising <sup>2</sup> £m	Acquisition <sup>3</sup> £m	Total non-current assets	167.9	748.0	(100.4)	—	—	—	815.5	Total currents assets	26.4	84.4	—	(1.2)	161.1	(164.8)	105.9	Total assets	194.3	832.4	(100.4)	(1.2)	161.1	(164.8)	921.4	Total current liabilities	(4.6)	(33.7)	—	1.2	—	—	(37.1)	Total non-current liabilities	(1.0)	(798.4)	—	—	—	257.8	(541.6)	Total liabilities	(5.6)	(832.1)	—	1.2	—	257.8	(578.7)	Net assets	188.7	0.3	(100.4)	—	161.1	93.0	342.7
	Capital & Regional consolidated net assets at 30 Dec 2013 £m	Net assets of the Mall Fund at 31 December 2013 £m				Adjustments					Pro forma consolidated net assets £m																																																											
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## Unaudited *pro forma* income statement

	<i>Adjustments</i>					
	Capital & Regional consolidated net income statement at 30 Dec 2013 £m	Net income statement of the Mall Fund at 31 December 2013 £m	Remove the Mall Fund's results in existing Capital & Regional net income <sup>1</sup> £m	Eliminate inter- group trading £m	Acquisitions £m	Pro forma consolidated net income £m
Continuing operations						
Revenue	17.6	77.4	—	(4.6)	—	90.4
Gross profit	9.6	52.7	—	(4.1)	—	58.2
Profit on ordinary activities before financing	9.1	22.8	(4.3)	—	(3.3)	24.3
Profit before tax	9.3	—	(4.3)	—	7.8	12.8
Profit for the year from continuing operations	9.5	—	(4.3)	—	7.8	13.0
Profit for the year	9.1	—	(4.3)	—	7.8	12.6

### Explanatory notes to the Pro Forma Financial Information

- The Pro Forma Financial Information does not constitute statutory accounts within the meaning of section 434 of the Companies Act, and no adjustment has been made to take account of trading, expenditure or other movements subsequent to 30 December 2013 (31 December 2013 for the Mall Fund), being the date at which the latest financial information was prepared, and therefore the refinancing of the Mall Fund debt that took place on 30 May 2014 has not been reflected. The Pro Forma Financial Information assumes that on completion of the Acquisition, Capital & Regional owned 91.82 per cent. of the Mall Unit Trust.
- This column represents the net cash that will be raised from the Capital Raising, being £165 million less expected costs of the equity raise of £3.9 million.
- This column represents the expected cash consideration pursuant to the Acquisition of £205.7 million (£171.1 million paid to the Aviva Sellers, £34.5 million paid to Karoo and £0.1 million paid to Aviva GP), and £3.3 million of associated transaction costs in addition to those directly related to the Capital Raising of £3.9 million. The £209.0 million is accounted to be funded through available cash of £164.8 million (following completion of the Capital Raising) and a drawdown of £44.2 million under the 2014 Amended and Restated Revolving Credit Facility. The actual amount drawn down is expected to be approximately £32 million as cash proceeds received since 30 December 2013 from the disposal of Leisure World, Hemel Hempstead and German assets will have increased available cash from the year end date. In addition £7.4 million of existing cash is required to be paid and maintained in escrow for the performance fee under the terms of the Acquisition. The adjustment to other non-current liabilities represents the recognition of a performance fee liability of £11.8 million within the Mall Fund (which is offset by a £5.9 million receivable within Capital & Regional) and a further liability of £6.1 million which has been recognised in respect of the potential obligation assumed by the Group to pay a rebate of certain amounts received by it under the Mall Fund Property Management Agreement. As a result of the accounting for Units as a financial liability rather than equity, the acquisition of Units by the Group is shown as a repayment of this liability.
- This column represents the adjustment made to remove from the Group's net income statement for the year ended 30 December 2013 the share of profit in associates and joint ventures that relates to the Mall Fund, as following completion of the Acquisition the Group will consolidate the results of the Mall Fund as a subsidiary instead of equity accounting for them as an associate.
- In the Mall Fund accounts, the net movement in the income statement of £12.1 million is treated as a fair value adjustment to the Units. On completion of the Acquisition, such treatment will only be relevant in respect of the 8.18 per cent. of Units that the Group will not own and the net movement will flow through to the Group's consolidated profit before tax. £3.3 million represents the charge to the income statement from the expected transaction costs in relation to the Acquisition.
- Save as set out above, the financial information contained within the Pro Forma Financial Information has been extracted without material adjustment from, in the case of the Group, the audited financial statements of the Group as at the end of and for the financial year ended 30 December 2013 and, in the case of the Mall Fund, the audited financial statements of the Mall Fund as at the end of and for the financial year ended 31 December 2013.

<b>B.9</b>	Profit forecast or estimate	Not applicable; neither the Company nor the Mall Fund has made a profit forecast or estimate.
<b>B.10</b>	Audit report on the historical financial information – qualifications	Not applicable; the audit reports on the historical financial information contained in, or incorporated by reference into, this document are not qualified.

<b>B.11</b>	Working capital explanation	Not applicable; the Company is of the opinion that, after taking into account existing available facilities to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this document.
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### **Section C – Securities**

<b>C.1</b>	Type and class of securities being admitted to trading	Ordinary shares of £0.01 each. The ISIN of the Existing Ordinary Shares and the New Ordinary Shares will be GB0001741544.
<b>C.2</b>	Currency of the securities issue	The Existing Ordinary Shares are priced in pounds sterling and the New Ordinary Shares will be priced in pounds sterling.
<b>C.3</b>	Number of issued and fully paid securities and par value	As at 20 June 2014 (being the latest practicable date prior to publication of this document), the Company had in issue 349,688,796 fully paid ordinary shares of £0.01 each and 71,348,933 fully paid deferred shares of £0.09 each.
<b>C.4</b>	Rights attached to the securities	<p>The New Ordinary Shares, which are Ordinary Shares, will be issued credited as fully paid and will rank <i>pari passu</i> in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of the allotment and issue of the New Ordinary Shares.</p> <p>Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares (for example, in the case of joint holders of a share, the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share), Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company. Subject to the provisions of the Companies Act, the Company may from time to time declare dividends and make other distributions on the Ordinary Shares. Shareholders are entitled to participate in the assets of the Company attributable to their shares in a winding-up of the Company or other return of capital, but they have no rights of redemption.</p> <p>On a winding-up or other return of capital, the holders of Deferred Shares are entitled only to payment of the nominal amounts paid up on those shares, after repayment to the holders of Ordinary Shares of the nominal amount paid up on those Ordinary Shares and the payment in cash or <i>in specie</i> of £10 million on each of those Ordinary Shares. The holders of Deferred Shares are not entitled to receive any dividend or other distribution or to receive notice of, or to attend, speak or vote at, any general meeting of the Company. The Deferred Shares are not transferrable, save that the Company has an irrevocable authority from each holder of Deferred Shares (i) to appoint any person to execute a transfer of Deferred Shares on behalf of its holder to such person(s) as the Company may determine without making any payment for them; (ii) to purchase the Deferred Shares in accordance with the Companies Act in consideration of the payment to the holders of the Deferred Shares purchased of an amount not exceeding one penny in respect of all the Deferred Shares then being purchased; and (iii) to cancel the Deferred Shares purchased in accordance with the Companies Act.</p>
<b>C.5</b>	Restrictions on transfer	The Ordinary Shares are freely transferable and there are no restrictions on transfer in the UK.

<b>C.6</b>	Application for admission to trading on regulated market	As the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion the listing on the premium listing segment of the Official List of all of the Existing Ordinary Shares will be cancelled, and application will be made for the immediate readmission of those Existing Ordinary Shares and the admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that dealings in the Existing Ordinary Shares and the New Ordinary Shares will commence at 8.00 a.m. on 14 July 2014.
<b>C.7</b>	Dividend Policy	<p>The Group's current intention is to convert to a REIT at the earliest opportunity, with a target date for conversion of 31 December 2014.</p> <p>Should the Group become a REIT, it will be required to distribute not less than 90 per cent. of its earnings from qualifying activities as dividends to Shareholders.</p> <p>Irrespective of the timing or feasibility of such conversion to a REIT, the Directors intend for the Company to distribute the majority of its earnings to Shareholders as dividends. This policy will be adopted by the Group in respect of the first full financial year of ownership of the Mall Fund in the absence of conversion to a REIT.</p>

#### **Section D – Risks**

<b>D.1</b>	Key information on key risks relating to the Company or its industry	<p><b>Risks relating to the Group</b></p> <ul style="list-style-type: none"> <li>● The Group, the Mall Fund and joint ventures in which the Group has investments invest in the UK and Germany in the retail real estate sector. As a result, during periods of difficult market conditions or slowdowns in certain markets, regions or sectors, the Group, the Mall Fund and joint ventures in which the Group has investments could experience significant declines in returns or increased volatility in valuations.</li> <li>● Non-renewal of existing leases or early termination by significant existing tenants in the properties owned by the Mall Fund and joint ventures in which the Group has investments would result in a significant decrease in the Mall Fund's and the joint ventures' net rental income.</li> <li>● The Group, the Mall Fund and joint ventures in which the Group has investments have credit facilities and borrowings that contain banking covenants that require that specific interest income, asset coverage and LTV ratios be met and non-financial covenants that require continued compliance. The continued compliance with these covenants by the Group, the Mall Fund and joint ventures in which the Group has investments depends on a number of factors, some of which are outside the Group's, the Mall Fund's or the relevant joint venture's control. The Group aims to manage its balance sheet and funding position such that it maintains a prudent level of headroom over all covenants whilst also optimising efficiency and minimising cost of capital. In the short and medium term, the Group believes that either it has, and that the Mall Fund and the joint ventures in which the Group has investments have, prudent levels of headroom on all their respective existing debt or, where a potential issue is anticipated, other means of mitigating such issue until such time as prudent levels of headroom are reached. However, a breach of any covenants in the long term, whether as a result of declining property values or otherwise, could cause a default with respect to the relevant debt facility and, if unremedied, result in the accelerated maturity of some or all of the</li> </ul>
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		<p>indebtedness of the Group, the Mall Fund and joint ventures in which the Group has investments, potentially requiring the disposal of assets by the relevant borrowing entity at less than full value.</p> <ul style="list-style-type: none"> <li>● The Group, the Mall Fund and joint ventures in which the Group has investments have a substantial amount of outstanding indebtedness. The ability of the Group, the Mall Fund and joint ventures in which the Group has investments to operate their respective businesses depends in part on being able to raise funds. There can be no assurance that the Group, the Mall Fund and joint ventures in which the Group has investments will be able to find lenders who are willing to lend on similar terms to those which apply to existing financing arrangements, or at all, or that existing financing arrangements will be able to be refinanced on similar terms, or at all, upon maturity. A reduction in the availability of finance or an increase in the future cost of finance could impact both the ability to progress capital investment opportunities necessary to deliver required rates of return to meet shareholder expectations and the day to day financing (or refinancing) requirements of the Group, the Mall Fund or the joint ventures in which the Group has investments in the longer term.</li> <li>● The Group, the Mall Fund and joint ventures in which the Group has investments are significantly exposed to factors that affect the retail sector. Retail tenants are affected by, among other things, general economic conditions and the resulting level of consumer spending, declining consumer confidence in the face of an economic downturn, and seasonal earnings. Retail tenants also face increasing competition from the internet and major supermarkets as they expand the range of products offered and from the increased penetration of online retailing.</li> <li>● The Mall Fund and joint ventures in which the Group has investments are exposed to the credit risk of each of their tenants and the creditworthiness of those tenants can decline over the short term, and a number of their tenants have declared bankruptcy or voluntarily closed certain of their stores in recent years, and other tenants may become insolvent or close stores in the future. This could result in higher vacancy rates, lower rental income, and revaluation losses on the value of the investment properties of the Mall Fund and joint ventures in which the Group has investments.</li> <li>● The current and prospective properties of the Group, the Mall Fund and joint ventures in which the Group has investments are valued by external valuers and those valuations are adopted by management for the purposes of the Group's, the Mall Fund's and the Group's joint ventures' financial statements and for determining prices in the context of acquisitions and disposals. Valuations of property and property-related assets are inherently subjective, due to the individual nature of each property. As a result, valuations are subject to a degree of uncertainty. Accordingly, there is no assurance that the valuations of the current and prospective properties of the Group, the Mall Fund and joint ventures in which the Group has investments will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that estimated yield and annual rental income will prove to be attainable.</li> <li>● Other than its interest in units in the Mall Unit Trust, the Group's principal investments are its shares or partnership interests in certain joint ventures. The market for these shares or partnership interests is illiquid, and, in the case of one of the joint ventures,</li> </ul>
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		<p>there are contractual and constitutional restrictions in the Group's ability to sell its investment in that joint venture. Consequently, it may not be possible to realise the Group's investments at the net asset values carried in the Group's accounts or, in the case of one of the joint ventures, without the consent of the other joint venture party.</p> <ul style="list-style-type: none"> <li>● The derivatives used by the Group, the Mall Fund and joint ventures in which the Group has investments to hedge exchange rate risk and interest rate risk can have adverse financial consequences. Further, because a significant proportion of the indebtedness of the Group, the Mall Fund and the joint ventures in which the Group has investments has been hedged at a fixed rate of interest, the Group and the Mall Fund and joint ventures in which the Group has investments will not fully benefit from any future reduction in market interest rates.</li> <li>● All of the properties in which the Group is invested are owned through joint venture entities or through the Mall Fund. Whilst the Group exercises significant influence on property decisions in the joint ventures in which it has investments, because of its role as the property asset manager (other than in the case of the German Joint Venture where the Group only has a 30 per cent. interest in the property manager) and through its representation on general partner or joint venture boards, in most cases, the Group must obtain the consent of its joint venture partners prior to the sale or purchase of property by a joint venture and must also adhere to the investment policy of that joint venture. Accordingly, the Group is unable to exercise full control over which properties a particular joint venture sells or purchases or the timing of such transactions.</li> <li>● The properties of the Mall Fund and joint ventures in which the Group has investments are relatively illiquid, in that there may not be buyers available and willing to pay fair value at the time the Mall Fund or the relevant joint venture desires to sell any such properties.</li> </ul> <p><b>Risks relating to the Acquisition</b></p> <ul style="list-style-type: none"> <li>● Implementation of the Acquisition is subject to the satisfaction of a number of conditions. The key conditions are the passing at the General Meeting of the Resolutions, the completion of the Capital Raising and the Underwriting Agreement becoming unconditional in all respects save for any conditions relating to Admission.</li> <li>● The Directors believe that the Acquisition will provide strategic and financial benefits for the Group. However there is a risk that the anticipated benefits will fail to materialise, or that they will be less significant than anticipated, and this may have a significant impact on the profitability of the Group in the future.</li> <li>● Under the terms of the Aviva Acquisition Agreement and the Karoo Acquisition Agreement, no warranties or indemnities are being provided by the vendors of Units other than their right to title of those Units, ability to sell their Units and that the Units are fully paid up. To the extent that any liabilities do arise in relation to the Units being sold other than in relation to title, ability to sell or the Units not being fully paid up, there will be no recourse for the Group to the vendors.</li> </ul>
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		<p><b>Risks associated with the Group after Completion arising from the Acquisition</b></p> <ul style="list-style-type: none"> <li>● Following Completion, the Group will be more focussed on UK shopping centres. A greater proportion of the Group's net asset value will be comprised of its holdings in the Mall Fund. Accordingly, the Group will have greater exposure to adverse valuation movements of the Mall Fund specifically and the asset class in general.</li> <li>● In order to fund the Acquisition, the Group will need to drawdown on the 2014 Amended and Restated Revolving Credit Facility. The Group's ability to repay the drawdown by its maturity dates on 31 December 2015 and 31 July 2016 is primarily dependent on future distributions from the Mall Fund and joint ventures in which the Group has investments and the disposal of assets by the German Joint Venture or the disposal of other non-core operations. If distributions received are lower than anticipated or the proceeds from the disposal of assets by the German Joint Venture and the disposal of other non-core operations are either lower or later than expected, the Group may need to seek an extension or refinancing of the 2014 Amended and Restated Revolving Credit Facility at its maturity in 31 December 2015 and 31 July 2016 or to raise capital through alternative means.</li> </ul>
<p><b>D.3</b></p>	<p>Key information on key risks relating to the securities</p>	<ul style="list-style-type: none"> <li>● Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including: <ul style="list-style-type: none"> <li>● changes in financial estimates by securities analysts;</li> <li>● changes in market valuation of similar companies;</li> <li>● announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments;</li> <li>● additions or departures of key personnel;</li> <li>● any shortfall in revenues or net income or any increase in losses or decrease in profits from levels expected by securities analysts;</li> <li>● future issues or sales of Ordinary Shares; and</li> <li>● stock market price and volume fluctuations.</li> </ul> </li> </ul> <p>Any of these events could result in a material decline in the price of the Ordinary Shares.</p> <ul style="list-style-type: none"> <li>● There is no assurance that the public trading market price of the Ordinary Shares will not decline below the Offer Price. Should that occur, relevant Shareholders who sell their Ordinary Shares will suffer an immediate loss as a result. Moreover, there can be no assurance that, following Shareholders' acquisition of New Ordinary Shares, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price for those shares.</li> </ul>

**Section E – Offer**

<b>E.1</b>	Total net proceeds and estimated total expenses	The Company is proposing to raise net proceeds of approximately £161.1 million after the deduction of estimated costs and expenses of approximately £3.9 million pursuant to the Capital Raising.
<b>E.2a</b>	Reasons for the offer, use of, estimated net amount of the proceeds	<p>The Company proposes to conduct the Capital Raising through the Firm Placing and the Placing and Open Offer in order to finance in part the Acquisition.</p> <p>The Acquisition represents a key step in executing the Company's strategy of simplifying its portfolio to focus on its UK shopping centre business.</p> <p>The Directors expect that the Acquisition will make a significant positive contribution to total earnings for the Group in the financial year ending 30 December 2014 (excluding total costs and expenses related to the Acquisition), as a result of the increased share of income from the Mall Fund and organic income and capital growth within the Mall Fund.</p> <p>The Company anticipates that the Capital Raising will raise total proceeds of approximately £161.1 million, net of estimated costs and expenses of the Capital Raising.</p>
<b>E.3</b>	Terms and conditions of the offer	<p>The Company is proposing to issue 351,063,830 New Ordinary Shares to raise approximately £161.1 million (net of estimated costs and expenses of the Capital Raising), by the issue of the Firm Placed Shares and the Open Offer Shares pursuant to the Capital Raising.</p> <p>The Open Offer is an opportunity for Qualifying Shareholders to acquire Open Offer Shares (being in aggregate 280,810,699 New Ordinary Shares, 80.0 per cent. of the Capital Raising) <i>pro rata</i> to their current holdings on the basis of 53 Open Offer Shares for every 66 Existing Ordinary Shares held by them at the close of business on the Record Date.</p> <p>Fractional entitlements under the Open Offer will be aggregated and sold for the benefit of the Company.</p> <p><b>Excess Applications Facility</b></p> <p>Qualifying Shareholders that take up all of their Basic Entitlements may also apply under the Excess Application Facility for additional Open Offer Shares to which they would otherwise not be entitled. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. If there is an oversubscription resulting from excess applications, allocations in respect of such excess applications will be scaled back <i>pro rata</i> to the number of Excess Shares applied for under the Excess Application Facility by Qualifying Shareholders and no assurances can be given that the applications by Qualifying Shareholders will be met in full, in part or at all.</p> <p>The latest time and date for acceptance and payment in full for the New Ordinary Shares under the Open Offer is 11.00 a.m. on 8 July 2014.</p> <p>Pursuant to the Underwriting Agreement, the Bookrunners, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares (other than the Karoo Subscription Shares) with institutional investors at the Offer Price, subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer.</p>

		<p>The Company has agreed to place the Karoo Subscription Shares (being 73,540,911 New Ordinary Shares or 26.2 per cent. of the Open Offer Shares and representing 99.9 per cent. of the Open Offer Entitlements of certain members of the Parkdev Group who have irrevocably undertaken not to take up their Open Offer Entitlements in whole or in part) with Karoo at the Offer Price. Karoo has agreed to subscribe for the Karoo Subscription Shares using all of its cash proceeds payable at Completion under the terms of the Acquisition, on the basis that the Karoo Subscription Shares are not subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer. The Bookrunners have also made arrangements to place the Firm Placed Shares (being 70,253,131 New Ordinary Shares or 20.0 per cent. of the Capital Raising) firm with Placees at the Offer Price. The Firm Placing is expected to raise approximately £33.0 million. The Firm Placed Shares are not subject to clawback and therefore do not form part of the Open Offer.</p> <p>Upon completion of the Capital Raising, the New Ordinary Shares will represent approximately 100.4 per cent. of the existing issued ordinary share capital of the Company and approximately 50.1 per cent. of the enlarged issued ordinary share capital of the Company immediately following completion of the Capital Raising.</p> <p>The Open Offer is conditional on the Underwriting Agreement becoming unconditional in all respects. The Underwriting Agreement is conditional, amongst other things, on:</p> <ul style="list-style-type: none"> <li>● the passing of the Resolutions (without material amendment) at the General Meeting (and not, except with the prior written agreement of the Bookrunners, at any adjournment of such meeting);</li> <li>● Admission occurring not later than 8.00 a.m. on 18 July 2014;</li> <li>● certain conditions to the Aviva Acquisition Agreement and the Karoo Acquisition Agreement and certain conditions to drawing down the 2014 Amended and Restated Revolving Credit Facility having been satisfied at, and such agreements remaining in full force and effect at, and not having been terminated in accordance with their respective terms prior to, Admission; and</li> <li>● the Company having performed all of its obligations under the Underwriting Agreement which are to be performed on the date of the Underwriting Agreement or otherwise prior to Admission.</li> </ul> <p>Accordingly, if any of the conditions is not satisfied or, if applicable, waived, the Capital Raising will not proceed.</p>
<b>E.4</b>	Material interests	Not applicable; there are no interests that are material to, or are in conflict with, the Capital Raising.
<b>E.5</b>	Selling shareholders and lock-up agreements	Not applicable; there are no selling shareholders nor lock-up agreements in relation to the Capital Raising.
<b>E.6</b>	Dilution	<p>Upon completion of the Capital Raising, the New Ordinary Shares will represent approximately 100.4 per cent. of the existing issued ordinary share capital of the Company and will comprise approximately 50.1 per cent. of the enlarged issued ordinary share capital of the Company immediately following completion of the Capital Raising and the Acquisition.</p> <p>Any Qualifying Shareholder who does not take up any of his Basic Entitlement (and does not take up any Excess Shares under the Excess Application Facility) will be diluted by 50.1 per cent. as a result of the issue of the New Ordinary Shares.</p>

		However, if a Qualifying Shareholder takes up his Basic Entitlement in full, he will be diluted by 10.0 per cent. as a result of the issue of the New Ordinary Shares.
<b>E.7</b>	Estimated expenses charged to investor	Not applicable; no expenses will be directly charged to the investors by the Company.

## RISK FACTORS

An investment in Capital & Regional, proceeding with the Acquisition, or an investment in the New Ordinary Shares involves certain risks. Existing Shareholders and prospective investors should carefully consider the risks set forth below and all of the information set forth in this document prior to making any decision on the proposed Resolutions (in the case of Existing Shareholders only) or any investment decision with respect to the Ordinary Shares. The risks described below could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and the price of the Ordinary Shares and it is possible that Shareholders could lose all or part of their investment in the Ordinary Shares. In addition, the risks below are not the only risks to which the Group may be subject. The Company may be unaware of certain risks or believe certain risks to be immaterial which later prove to be material.

### PART A – RISKS RELATED TO THE GROUP

***The business of the Group, the Mall Fund and joint ventures in which the Group has investments is dependent on economic conditions and commercial real estate markets.***

The Group, the Mall Fund and joint ventures in which the Group has investments invest in the UK and Germany in the retail real estate sector. As a result, during periods of difficult market conditions or slowdowns in certain markets, regions or sectors, the Group, the Mall Fund and joint ventures in which the Group has investments could experience significant declines in returns or increased volatility in valuations. Small changes in property market yields can have a significant effect on the value of the properties owned by the Mall Fund and joint ventures in which the Group has investments. The effect of debt funding magnifies the impact of valuation movements. The real estate markets in the UK were adversely impacted by the global banking crisis which started in 2007, with property values, including the value of commercial real estate, demonstrating substantial declines. Any future deterioration in general economic conditions could impact these markets adversely, albeit the current valuations of the Mall Fund's properties are significantly below peak 2007 valuations. While the impact of the global banking crisis was less significant on the Group's German Joint Venture properties, there can be no assurance that this will continue to be the case in the future.

Adverse economic conditions and the impact on consumer spending could also have a detrimental impact on the business of the Group's indoor skiing business, Snozone.

In addition to general economic conditions, there are a number of other factors, which may significantly impact the value of commercial real estate investments, including interest rates and credit spreads, levels of prevailing inflation, the availability of financing in the longer term, the returns from alternative investments as compared to real estate and changes in planning, environmental, commercial lease, and tax laws and practices. In particular, commercial property values are dependent on current rental values and occupancy rates, prospective rental growth, lease lengths, tenant creditworthiness and solvency and investment yields (which are, in turn, a function of interest rates, the market appetite for property investments in general and with reference to the specific property in question) together with the nature, location and physical condition of the property concerned. While contracted rent is below estimated rental value for the Group's portfolio of UK assets, there are certain leases where the current rent is in excess of the rent which is expected to be achieved at the end of the lease. Rental revenues and commercial real estate values are also affected by factors specific to each local market in which the property is located, including the supply of available space, demand for commercial real estate and competition from other available space.

Any declines in property valuations in either the UK or Germany could, in the longer term, have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

As a result of the above or other factors, the ability of the Mall Fund and joint ventures in which the Group has investments to maintain or increase their occupancy levels of their respective properties through the execution of leases with new tenants and the renewal of leases with existing tenants, as well as their ability to increase rents over the longer term, may be adversely affected. In particular, non-renewal of existing leases or early termination by significant existing tenants in



the properties owned by the Mall Fund and joint ventures in which the Group has investments would result in a significant decrease in the Mall Fund's and the joint ventures' net rental income. If the net rental income of the Mall Fund and/or joint ventures in which the Group has investments declines, the Group would have less cash available to service and repay its indebtedness in the longer term and the value of those properties would decline further as well. In addition, significant expenditures associated with each property, such as real estate taxes, works to comply with new regulations, service charges, renovation and maintenance costs, are generally not reduced in proportion to any decline in rental revenue from that property. If rental revenue from a property declines while the related costs do not decline, the income and cash receipts of the Mall Fund or the relevant joint venture could be adversely affected. Any significant deterioration in economic conditions or conditions in the commercial real estate market which contributes to a decline in rental revenues or decline in market values of the assets of the Mall Fund and/or joint ventures in which the Group has investments may, in the longer term, materially adversely affect the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The credit facilities and borrowings of the Group, the Mall Fund and joint ventures in which the Group has investments contain various covenants which, if not complied with in the longer term, could result in acceleration of such facilities or restrict the Company's ability to pay dividends.***

The Group, the Mall Fund and joint ventures in which the Group has investments have credit facilities and borrowings that contain banking covenants which require that specific interest income, asset coverage and LTV ratios be met in addition to certain non-financial covenants that require continued compliance. The continued compliance with these covenants by the Group, the Mall Fund and joint ventures in which the Group has investments depends on a number of factors, some of which are outside the Group's, the Mall Fund's or the relevant joint venture's control. The Group aims to manage its balance sheet and funding position such that it maintains a prudent level of headroom over all covenants whilst also optimising efficiency and minimising cost of capital. In particular, the Mall Fund debt facilities include LTV and ICR covenants which could require the Group to retain cash within the Mall Fund in order to meet the LTV and/or ICR covenant requirements. This would limit the cash available to Capital & Regional to distribute to Shareholders as dividends. In the short and medium term, the Group believes that either it has, and that the Mall Fund and the joint ventures in which the Group has investments have, prudent levels of headroom on all of their respective existing debt, or where a potential issue is anticipated, other means of mitigating such issue until such time as prudent levels of headroom are reached.

However, as a long term investor in property, the Group is exposed to long term cycle movements in property valuations. A breach of any covenants in the long term, whether as a result of declining property values or otherwise, could cause a default with respect to the debt and, if unremedied, result in the accelerated maturity of some or all of the indebtedness of the Group, the Mall Fund and joint ventures in which the Group has investments, potentially requiring the disposal of assets at less than full value.

Longer term adverse changes in the value of the commercial real estate assets of the Mall Fund or joint ventures in which the Group has investments could consequently have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Group, the Mall Fund, and joint ventures in which the Group has investments may not be able to refinance their borrowings in the longer term and/or the cost of finance could increase.***

The Group, the Mall Fund and joint ventures in which the Group has investments have a substantial amount of outstanding indebtedness. The ability of the Group, the Mall Fund and joint ventures in which the Group has investments to operate their respective businesses depends in part on being able to raise funds.

In the longer term, but not during the period covered by the working capital statement set out in paragraph 19 of Part XVI (*Additional Information*) of this document, the Group, the Mall Fund and joint ventures in which the Group has investments will be required to access debt funding. There can be no assurances that lenders will be found who are willing to lend on similar terms to those which apply to existing financing arrangements, or at all, or that existing financing arrangements will be able to be refinanced on similar terms, or at all, upon maturity. Declines in property values may occur, for example, as a result of prevailing economic conditions stemming from a global

economic downturn and/or adverse change in retail economic conditions. An increase in LTV ratio as a result of declines in property values would be one factor which could restrict the ability of the Group, the Mall Fund or the joint ventures in which the Group has investments to arrange such financing or refinancing in the longer term.

A reduction in the availability of finance or an increase in the future cost of finance (whether for macroeconomic reasons, such as a lack of liquidity in debt markets or reasons specific to the Group, the Mall Fund or a joint venture in which the Group has investments, such as the extent to which it is leveraged and declines in property values), could impact both the ability to progress capital investment opportunities necessary to deliver required rates of return to meet shareholder expectations and the day to day financing (or refinancing) requirements of the Group, the Mall Fund or joint ventures in which the Group has investments in the longer term. None of the debt facilities currently held by the Group, the Mall Fund and the joint ventures in which the Group has investments are due to mature in the 12 months following the date of this document without the option to extend the relevant facilities to a maturity date beyond such 12 month period. However, if in the longer term any member of the Group, the Mall Fund or joint ventures in which the Group has investments is not able to refinance borrowings as they mature and/or the terms of such refinancing are less favourable than the existing terms of borrowing, this may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Mall Fund and joint ventures in which the Group has investments are subject to the credit risks associated with tenants and are specifically dependent on the retail sector and threats from competing routes to market such as the internet.***

The Mall Fund and joint ventures in which the Group has investments are significantly exposed to factors that affect the retail sector. A significant decline in overall retail tenant revenues, or the bankruptcy or insolvency of significant individual tenants, or of a substantial number of smaller tenants, would materially decrease revenues and available cash, and also materially lower the value of the properties owned by the Mall Fund and joint ventures in which the Group has investments.

Retail tenants are affected by, among other things, general economic conditions and the resulting level of consumer spending, declining consumer confidence in the face of an economic downturn, and seasonal earnings. Retail tenants also face increasing competition from the internet and major supermarkets as they expand the range of products offered and from the increased penetration of online retailing. Any resulting trade diversion from traditional retail outlets to the internet and major supermarkets could adversely affect certain of the tenants of the Mall Fund and the joint ventures in which the Group has investments, with the risk that tenant defaults and voids could increase as well as potentially reducing the demand for retail space.

The Mall Fund and joint ventures in which the Group has investments are exposed to the credit risk of each of their tenants and the creditworthiness of those tenants can decline over the short term, and a number of their tenants have declared bankruptcy or voluntarily closed certain of their stores in recent years, and other tenants may become insolvent or close stores in the future. The amounts payable under tenant leases are not typically covered by security (other than small rent deposits in certain cases) and the Mall Fund and joint ventures in which the Group has investments are not insured against lease defaults by tenants. If a tenant declares bankruptcy or becomes insolvent, the property which it occupies may experience a decrease in rental income. It may not be possible to secure a replacement tenant for the same property on favourable terms, or at all. The insolvency of a major tenant could contribute to consumers finding that property less attractive, resulting in lower footfall and decreased revenue from the remainder of the affected property. In the event of a lease default by an insolvent tenant, the Mall Fund and joint ventures in which the Group has investments may also experience delays in the receipt of rental payments, incur costs in enforcing their rights as landlord (which they may not be able to fully recover from the defaulting tenant) and may not be able to regain possession of the space for an extended period of time or to cover the full amount of any payments due under the relevant lease. Other costs may also be incurred, such as legal and surveyor's costs in re-letting, maintenance costs, insurance, rates, marketing costs and under-recovery of service charges. In addition, it may be necessary to expend funds to construct improvements in vacated space, or to provide financial inducements to new tenants which would impose additional funding requirements on the Mall Fund and joint ventures in which the Group has investments. These or other factors could result in higher vacancy rates, lower rental income, and revaluation losses on the value of the investment

properties of the Mall Fund and joint ventures in which the Group has investments, or otherwise have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***Property valuation is inherently subjective and uncertain.***

The current and prospective properties of the Group, the Mall Fund and joint ventures in which the Group has investments are valued by external valuers and the resulting valuations are adopted by management for the purposes of the Group's, the Mall Fund's and the Group's joint ventures' financial statements and for determining prices in the context of acquisitions and disposals. Valuations of property and property-related assets are inherently subjective, due to the individual nature of each property. As a result, valuations are subject to a degree of uncertainty. Moreover, property valuations are made on the basis of assumptions which may not prove to be accurate. Incorrect assumptions or flawed assessments underlying the property valuations could result in asset valuations being overstated or understated, which could negatively affect the financial condition and net assets of the Group and the net asset value of the Mall Fund and joint ventures in which the Group has investments and potentially inhibit the ability of the Group and the Mall Fund and joint ventures in which the Group has investments to realise a sale price that reflects the stated valuation. Further, if the Group and the Mall Fund and joint ventures in which the Group has investments acquire properties based on inaccurate assumptions, the Group's net assets and results of operations and the net asset value of the Mall Fund and joint ventures in which the Group has investments may be materially adversely affected. There is no assurance that the valuations of the current and prospective properties of the Group, the Mall Fund and joint ventures in which the Group has investments will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that estimated yield and annual rental income will prove to be attainable. This is particularly relevant in the case of the Group's German Joint Venture where there is an intention to sell its assets over the next few years. Failure to realise transaction prices close to valuation and estimated yields and annual rental incomes envisaged could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***It may not be possible for the Group to realise its investments in its joint ventures at the net asset values carried in the Group's accounts or at all, or to access the profits generated by the joint ventures reflected in the Group's accounts.***

Other than its interest in units in the Mall Unit Trust, the Group's principal investments are its shares or partnership interests in certain joint ventures. The market for these shares or partnership interests is illiquid, and, in the case of one of the joint ventures, there are restrictions on the Group's ability to sell its investment in that joint venture in the joint venture agreement and the constitutional documents. Consequently, it may not be possible to realise the Group's investments in some of such joint ventures at the net asset values carried in the Group's accounts or, in the case of one of the joint ventures, without the consent of the other joint venture party, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

The Group's proportionate share of the profits of these joint ventures is reflected in the Group's accounts. The Group only has access to such profits, however, to the extent they are distributed by the relevant joint venture to the Group. The amount or extent of such dividends is not always within the Group's control and in some instances it is limited by financing agreements of the joint ventures. Consequently, the Group cannot rely on the profits generated by these joint ventures to fund its activities outside of the relevant joint venture.

***The expiration of interest rate swaps, entering into certain transactions for which hedging is not available on commercially reasonable terms, or at all, or the inaccurate hedging of interest rate exposure may expose the Group, the Mall Fund and joint ventures in which the Group has investments to market interest rate risk.***

As at 20 June 2014 (being the latest practicable date prior to the publication of this document), the Group, the Mall Fund and joint ventures in which the Group has investments had hedged substantially all of their current interest rate exposure (save in relation to the 2014 Amended and Restated Revolving Credit Facility). However, the Group, the Mall Fund and the joint ventures in which the Group has investments may be exposed to market interest rate risk when the relevant

hedging instruments that such entities have put in place in connection with their financing arrangements expire, if the Group, the Mall Fund or the relevant joint venture cannot hedge its interest rate exposure on commercially reasonable terms, or at all, or if it has ineffectively hedged its market interest rate exposure. To the extent that the Group, the Mall Fund and joint ventures in which the Group has investments do not hedge their exposure to interest rate fluctuations, or to the extent that such hedging is ineffective, they may incur higher than expected interest rate expenses, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The hedging transactions used by the Group, the Mall Fund and joint ventures in which the Group has investments to minimise interest and exchange rate risk may limit gains, result in losses or have other adverse consequences.***

The derivatives used by the Group, the Mall Fund and joint ventures in which the Group has investments to hedge exchange rate risk and interest rate risk can have adverse financial consequences. As far as interest hedges are concerned, where the contracted interest rate on the hedge instrument is above the current market rate, if the underlying asset on which the borrowing being hedged is sold before the hedging instrument matures it can result in the realisation of significant losses.

Further, because a significant proportion of the indebtedness of the Group, the Mall Fund and joint ventures in which the Group has investments has been hedged at a fixed rate of interest, the Group and the Mall Fund and joint ventures in which the Group has investments will not fully benefit from any future reduction in market interest rates. In addition, in the current economic environment, the Group, the Mall Fund and joint ventures in which the Group has investments are subject to credit risk based on hedge counterparties' inability to perform their obligations. Any or all of the factors above could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Group is subject to risks associated with its joint venture partners.***

All of the properties in which the Group is invested are owned through joint venture entities or through the Mall Fund.

Whilst the Group exercises significant influence on property decisions in the joint ventures in which it has investments, because of its role as the property asset manager, (other than in the case of the German Joint Venture where the Group only has a 30 per cent. interest in the property manager) and through its representation on general partner or joint venture boards, in most cases, the Group must obtain the consent of its joint venture partners prior to the sale or purchase of property by a joint venture and must also adhere to the investment policy of that joint venture. Accordingly, the Group is unable to exercise full control over which properties a particular joint venture sells or purchases or the timing of such transactions. Since the interests and commercial goals and objectives of joint venture partners or their nominee directors on the board of the general partner may not be aligned with those of the Group, the Group may not be able to implement its strategy through sales or purchases of property by such joint ventures. As a result, the Group may be unable to adjust the market and sector mix of the properties owned by joint ventures in which the Group has investments in order to capture trends in customer demand and increase rental growth or be able to dispose of lower growth or riskier properties.

In addition, the Group cannot in all cases control when the joint ventures in which the Group has investments makes or needs to make a cash call or engages in an equity offering or borrowing. In such situations, the Group may choose not to participate, or may be unable to do so, in which event its interest in the relevant joint venture would be diluted, reducing its influence in the relevant joint venture.

In the majority of cases, the Group has the right to acquire certain joint ventures' assets upon the insolvency or other default of a joint venture partner (although the Directors are not aware as at 20 June 2014, being the latest practicable date prior to the publication of this document, of any of its joint venture partners being insolvent or in default). However, the Group may be unwilling or unable to do so, for example due to an inability to secure the necessary funding in the longer term. This could result in a significant decline in the value of the relevant joint venture's assets, that joint venture's insolvency, or both. Alternatively, the defaulting joint venture party's interest in



the joint venture may be acquired by a party whose interests differ or are in conflict with the Group's, which may require the Group to dispose of its interest in the joint venture on disadvantageous terms.

The joint ventures in which the Group has investments are financed through separate credit facilities that are non-recourse to the Group. However, the joint ventures may require additional equity or loan contributions from the Group from time to time in order to execute their business plans and to service their debt. If the Group or its joint venture partners are unable in the longer term to provide any additional equity or loan contributions which are required or which have been previously agreed, this could constitute a material breach of the terms of a joint venture agreement and permit one party to inject money in place of the other party, resulting in a dilution of the other party's interest or to serve a wind-down notice on the other requiring the joint venture to be wound down in an orderly manner. Failure by the Group to provide additional equity and/or loan contributions in the longer term could also result in a breach of the conditions of the credit facilities of the relevant joint venture, which could result in accelerated repayment obligations for that joint venture.

Any or all of the above factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The market for the properties of the Mall Fund and joint ventures in which the Group has investments is generally illiquid.***

The properties owned by the Mall Fund and joint ventures in which the Group has investments are relatively illiquid, in that there may not be buyers available and willing to pay fair value at the time the Mall Fund or the relevant joint venture desires to sell any such properties. The Group's German Joint Venture is intending to sell its assets over the next couple of years and this is a particular risk that it may face. If the Mall Fund or joint ventures in which the Group has investments were required to sell any of their respective properties for any reason, including in response to changes in economic or real estate market conditions, or as a result of the longer term need to raise funds to support operations or to repay outstanding indebtedness, they may not be able to sell any of those properties on favourable terms, or at all.

There may be a significant shortfall between the carrying value of a property on the balance sheet of the Mall Fund or a joint venture in which the Group has investments and the price that the Mall Fund or relevant joint venture would be able to achieve on an accelerated sale of such property. There can be no assurance that the price obtained from such a sale would cover the book value of the property sold. If the Group, the Mall Fund and joint ventures in which the Group has investments are unable to raise sufficient proceeds from the sale of such properties, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Group is exposed to risk in relation to its property asset management income.***

A large part of the Group's fee income derived from property asset management fees is based upon income stream, property valuations and the value of the portfolio of properties under management. As valuations have fallen and properties have been sold, the Group's fee income derived from this activity has fallen and could continue to do so.

These long-term management contracts can be terminated under certain circumstances, including amongst other things, underperformance of the property portfolio over a period of time, change of control, or negligence. If any of the long-term management contracts with joint ventures in which the Group has investments or with third party property owners were terminated, the Group might face competition from other property and asset management companies for the services it provides, some of whom may offer comparatively lower fees, and there can be no assurance that the Group would be successful in securing a new management contract on commercially reasonable terms, or at all. If in such circumstances the Group agreed to lower fees, this could have a disproportionate effect on the Group's profits as there are limitations on the Group's ability to lower its cost base, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Group may incur losses as a result of fluctuations in the exchange rates between the pound and other currencies for which it has not, or not effectively, hedged its risk.***

The Group's German Joint Venture investments are valued in Euros. The Group reports its financial results in pounds sterling and translates the valuation of its German Joint Venture investments from Euros to pounds sterling. The underlying exposure on the Euro value of properties is partially hedged by funding their purchase with Euro denominated debt. The Group hedges part of the remaining Euro exposure, being the net asset value of the German Joint Venture, through the use of derivatives such as forward contracts. The Group typically attempts to hedge between 50 per cent. and 100 per cent. of the net asset exposure in this way. To the extent that the Group does not fully hedge its exposure to exchange rate fluctuations, or to the extent that such hedging is inaccurate or otherwise ineffective, such exposure could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The departure of key employees or the inability to hire employees with the required skills could materially adversely affect the Group's business.***

The Group's business is dependent on the skills of a small number of key individuals. Failure to put in place an appropriate and attractive reward system may result in the loss of some key individuals. Whilst the Group has ongoing service agreements with each of these individuals, their retention cannot be guaranteed. Equally, the ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The loss of key employees or the inability to hire employees with the required skills could materially adversely affect the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Mall Fund and joint ventures in which the Group has investments are subject to potential environmental liabilities and costs.***

In the ordinary course of business and in connection with future acquisitions, the Mall Fund and joint ventures in which the Group has investments may become responsible for certain environmental clean-up liabilities or costs. As the owners of real estate property, the Mall Fund and joint ventures in which the Group has investments are subject to environmental regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. If the Mall Fund and joint ventures in which the Group has investments own or acquire contaminated land, they could also be liable to third parties for harm caused to such third parties or their property as a result of the contamination. If the Mall Fund and joint ventures in which the Group has investments are found to be in violation of environmental regulations, they could face reputational damage, regulatory compliance penalties, reduced letting income, reduced asset valuations and reduce the ability of the Mall Fund or joint ventures in which the Group has investments to borrow using property as security, which could have a material adverse impact on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Group, the Mall Fund and joint ventures in which the Group has investments are subject to potential health and safety liabilities and reputational risk from incidents or accidents at the properties they own and manage.***

The Group, the Mall Fund and joint ventures in which the Group has investments manage and operate shopping centres and other retail outlets which attract significant consumer footfall and by their nature are subject to the risk of health and safety incidents. Whilst the Group, the Mall Fund and the joint ventures in which the Group has investments have detailed health and safety procedures in place it is impossible to rule out totally the risk of an incident occurring involving loss of life, serious injury or significant damage to a property which could have a material adverse impact on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Group, the Mall Fund and joint ventures in which the Group has interests are subject to risks associated with legal requirements and legal and regulatory changes.***

The Group, the Mall Fund and joint ventures in which the Group has investments need to comply with laws, regulations and administrative actions and policies which relate to, among other matters, financial conduct, tax, planning, land use, building regulation standards, fire, health and safety,



environment and employment. The institution and enforcement of such regulations could have the effect of increasing the expenses of and lowering the income from, as well as adversely affecting the value of, the assets of the Group, the Mall Fund and the joint ventures in which the Group has investments. In addition, leases in Germany are subject to statutory requirements in order for them to be enforceable in accordance with their terms. As is the case with many German commercial leases, certain of the leases to which the German Joint Venture is a party may not meet all the statutory requirements. Failure to meet such requirements may result in such leases being capable of early termination and/or certain provisions, such as repair covenants, being invalid. New laws may be introduced which may be retrospective and affect existing planning consents.

Investors should note that changes in the legal framework concerning planning rules in the UK and Germany may negatively influence the values of the properties owned by the Mall Fund and joint ventures in which the Group has investments. From time to time, regulations are introduced which can impact on the costs of property ownership and which can affect returns. In recent periods these have included regulations concerning the provision of access for disabled persons and provisions for the measurement and reporting of the energy efficiency of buildings.

Having taken legal advice on areas of particular concern, the Directors do not believe that any members of the Group, the Mall Fund or the joint ventures in which the Group has investments are subject to the application of the Alternative Investment Fund Managers Directive (2011/61/EU) (the "AIFMD") or the legislation implementing the AIFMD in the UK, in each case as in force as at 20 June 2014, being the latest practicable date prior to the publication of this document. However, there can be no certainty that changes to the AIFMD or such implementing legislation in the UK or changes to its interpretation will not be introduced in the future, which potentially could make members of the Group, the Mall Fund or the joint ventures in which the Group has investments subject to the legislation. To the extent that any such entities are, or become, subject to the AIFMD, they would need to appoint depositaries, report certain specified information to the FCA and investors, operate as a regulated entity and incur the costs associated with operating as a regulated entity under the AIFMD.

Such changes or risks may have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Group may be exposed to contingent liabilities in relation to disposals and acquisitions.***

When the Group, the Mall Fund and joint ventures in which the Group has investments disposes of investments or properties, they may be required to give representations, warranties and indemnities to purchasers in relation to those investments or properties and to pay damages to the extent that any such representations or warranties prove to be inaccurate causing loss or indemnify purchasers to the extent that an indemnified liability arises. The Group, the Mall Fund and joint ventures in which the Group has investments may become involved in disputes or litigation concerning such representations, warranties and indemnities and may be required to make payments to third parties as a result of such disputes or litigation. Any such cash outflows could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

In addition, although the Group, the Mall Fund and joint ventures in which the Group has investments may have obtained similar contractual protection against such claims and liabilities from the seller of acquired properties, there can be no assurance that such contractual protection has always been or will always be successfully obtained, or that it would be enforceable or effective if obtained under contract. Such potential liabilities, if realised, could have a material adverse effect on the returns realised on the property by the Group, the Mall Fund and joint ventures in which the Group has investments.

***Changes in the costs or availability of insurance could expose the Group to uninsured losses.***

The Board attempts to ensure that all the properties owned and activities undertaken by the Group, the Mall Fund and joint ventures in which the Group has investments are adequately insured to cover certain losses. However, changes in the costs or availability of insurance could expose the Group, the Mall Fund or joint ventures in which the Group has investments to uninsured losses. In addition, certain types of risk may be, or may become in the future, uninsurable or not economically insurable or may not be currently, or in the future, covered by the insurance held by the Group, the Mall Fund or the joint ventures in which the Group has investments. In the event

that any of the Group, the Mall Fund or joint ventures in which the Group has investments incur a loss that is not fully covered by insurance, the value of the assets of the Group, the Mall Fund or the relevant joint venture in which the Group has investments will be reduced by or in proportion to the amount of any such uninsured loss, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***The Group's development programme inside and outside the Mall Fund and joint ventures in which the Group has investments is subject to significant market, construction and commercial risk.***

The development programme that the Group has, both inside and outside the Mall Fund and joint ventures in which the Group has investments, is subject to significant market, construction and commercial risk which could have an adverse impact on the value of the Group's business, financial condition, results of operations and prospects and/or the price of the Ordinary Shares. This includes (in terms of construction risk) the risk of insolvency of contractors who have provided warranty and indemnity protection in respect of design and construction works.

## **PART B – RISKS RELATING TO THE ACQUISITION**

***Implementation of the Acquisition is subject to the satisfaction of a number of conditions***

The Acquisition is conditional upon, amongst other things: (a) the Shareholders approving the Resolutions; (b) completion of the Capital Raising and (c) the Underwriting Agreement becoming unconditional in all respects save for any Conditions relating to Admission. There can be no assurance that these conditions will be satisfied or waived, if applicable, and that Completion will be achieved.

***The benefits of the Acquisition may fail to materialise in whole or part***

The Directors believe that the Acquisition will provide strategic and financial benefits for the Group. However, there is a risk that the anticipated benefits will fail to materialise, or that they will be less significant than anticipated, and this may have a significant impact on the Group's financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***Limited warranty protection under the Aviva Acquisition Agreement and the Karoo Acquisition Agreement***

No warranties or indemnities are being provided by the vendors of Units other than a warranty as to title of those Units, ability to sell the Units and each Unit being fully paid up. To the extent that any liabilities do arise in relation to the Units being sold under the Aviva Acquisition Agreement or the Karoo Acquisition Agreement other than in relation to title, ability to sell or the Units not being fully paid up, there will be no recourse to the vendors by the Group. Any such liabilities could have an adverse impact on the Group's financial condition, results of operations and prospects and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

***Abort costs in the event the Acquisition and the Capital Raising do not proceed***

The Company has incurred significant costs in planning the Acquisition and the Capital Raising. These mainly include legal and professional costs. Whilst some of these are contingent on the Acquisition proceeding, approximately £2.2 million of estimated costs would be incurred if the Acquisition and the Capital Raising are aborted following the publication of this document. To the extent that the Acquisition and the Capital Raising do not proceed and these costs are incurred they would need to be borne by the Company.

## **PART C – RISKS ASSOCIATED WITH THE GROUP AFTER COMPLETION AND ARISING FROM THE ACQUISITION**

### ***There will be increased portfolio concentration***

Following Completion, the Group will be more focussed on UK shopping centres. A greater proportion of the Group's net asset value will be comprised of its holdings in the Mall Fund. Accordingly, the Group will have greater exposure to adverse valuation movements in the Mall Fund specifically and the asset class in general. Overall the increased portfolio concentration may have an adverse impact on the volatility of the Group's financial results or condition and/or the price of the Ordinary Shares and the Group's ability to pay dividends.

### ***The Acquisition will increase the Group's indebtedness***

Following the sale of the Great Northern Warehouse in October 2013, the Group had (and continues to have) no on-balance sheet debt. In order to fund the Acquisition, the Group will need to drawdown on the 2014 Amended and Restated Revolving Credit Facility. The Group's ability to repay the drawdown by its maturity dates on 31 December 2015 and 31 July 2016 is primarily dependent on future distributions from the Mall Fund and the joint ventures in which the Group has investments and specifically from the proceeds from the sale of assets by the German Joint Venture or the disposal of other non-core operations. If distributions received are lower than anticipated and the proceeds from disposal of assets by the German Joint Venture and other non-core operations are either lower or later than expected, the Group may after the maturity dates on 31 December 2015 and 31 July 2016 need to seek an extension or refinancing of the 2014 Amended and Restated Revolving Credit Facility or to raise capital through alternative means.

In addition, following Completion the Group will own a greater proportion (91.82 per cent.) of the Mall Fund and have a greater exposure to its debt and the risks associated with it. For more information about how the Mall Fund could be affected by decreases in property values affecting banking covenants, the risk of debt not being available in future or at an increased costs, or risks specifically associated with the Mall Fund's interest rate hedging, see the Risk Factors entitled "*The credit facilities and borrowings of the Group, the Mall Fund and joint ventures in which the Group has investments contain various covenants which, if not complied with in the longer term, could result in acceleration of such facilities or restrict the Company's ability to pay dividends*", "*The Group, the Mall Fund, and joint ventures in which the Group has investments may not be able to refinance their borrowings in the longer term and/or the cost of finance could increase*" and "*The hedging transactions used by the Group, the Mall Fund and joint ventures in which the Group has investments to minimise interest and exchange rate risk may limit gains, result in losses or have other adverse consequences*" above.

### ***The Group's ability to convert into a REIT and maintain REIT status thereafter***

If the Group fails to meet the REIT eligibility requirements, the Group will not be able to convert into a REIT and benefit from the taxation benefits of the REIT regime. Should the Group satisfy the eligibility requirements, there can be no certainty as to the timing of such REIT conversion. Following a successful conversion to a REIT, the Group intends to manage its affairs to maintain REIT status, however there is no guarantee that this can be achieved or that this will remain the case indefinitely, particularly when REIT eligibility can depend on certain factors outside the control of the Group (for example, whether the Company is a "close company" for the purposes of the REIT rules).

Changes to the REIT regime may require the Group to leave the REIT regime (voluntarily or otherwise). A failure to attain REIT status, or a failure to remain a REIT after conversion may, therefore, have adverse consequences for the financial position and prospects of the Group, and in particular the profitability of the Group, the price of the Ordinary Shares and the level of dividends may be adversely impacted.

## **PART D – RISKS RELATING TO THE CAPITAL RAISING AND THE ORDINARY SHARES**

### ***The share prices of publicly traded companies can be highly volatile.***

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In

addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including:

- changes in financial estimates by securities analysts;
- changes in market valuation of similar companies;
- announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments;
- additions or departures of key personnel;
- any shortfall in revenues or net income or any increase in losses or decrease in profits from levels expected by securities analysts;
- future issues or sales of Ordinary Shares; and
- stock market price and volume fluctuations.

Any of these events could result in a material decline in the price of the Ordinary Shares.

***Future sales of Ordinary Shares could depress the market price of the Ordinary Shares.***

The Group is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares and could impair the Group's ability to raise capital through the sale of additional equity securities.

***The market price for Ordinary Shares may decline below the Offer Price***

There is no assurance that the public trading market price of the Ordinary Shares will not decline below the Offer Price. Should that occur, relevant Shareholders who sell their Ordinary Shares will suffer an immediate loss as a result. Moreover, there can be no assurance that, following Shareholders' acquisition of New Ordinary Shares, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price for those shares.

***Existing Shareholders may experience dilution in their ownership of the Company as a result of the Capital Raising and the Acquisition***

Upon completion of the Capital Raising, the New Ordinary Shares will represent approximately 100.4 per cent. of the existing issued ordinary share capital of the Company and will comprise approximately 50.1 per cent. of the enlarged issued ordinary share capital of the Company immediately following completion of the Capital Raising and the Acquisition.

Any Qualifying Shareholder who does not take up any of his Basic Entitlement (and does not take up any Excess Shares under the Excess Application Facility) will be diluted by 50.1 per cent. as a result of the issue of the New Ordinary Shares.

However, if a Qualifying Shareholder takes up his Basic Entitlement in full, he will be diluted by 10.0 per cent. as a result of the issue of the New Ordinary Shares.

***Any future issue of shares will further dilute the holdings of Shareholders and could adversely affect the market price of Ordinary Shares***

Other than pursuant to the Capital Raising, the Company has no current plans for an offering of shares apart from possible offerings in relation to the Capital & Regional Employee Share Plans. However, it is possible that the Company may decide to offer additional shares in the future either to raise capital or for other purposes. If Shareholders did not take up such offer of shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Ordinary Shares would represent of the total issued share capital of the Company would be reduced accordingly. An additional offering, or significant sales of shares by major shareholders, could have a material adverse effect on the market price of Ordinary Shares as a whole.

***The ability of Overseas Shareholders to bring actions, or to enforce judgments, against the Company, the Directors or the officers of the Company may be limited***

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The

rights of holders of Ordinary Shares are governed by English law and the Articles. These rights differ from the rights of shareholders in some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and the Group's executive officers. It may not be possible for an Overseas Shareholder to effect service of process upon the Directors and the Group's executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and the Group's executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or the Group's executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or the Group's executive officers in any original action based solely on foreign securities laws brought against the Group or the Directors or the Group's executive officers in a court of competent jurisdiction in England or other countries.

***Overseas Shareholders may be subject to exchange rate risks***

The Ordinary Shares are priced in pounds sterling, and will be quoted and traded in pounds sterling. In addition, any dividends the Company may pay will be declared and paid in pounds sterling. Accordingly, holders of Ordinary Shares resident outside the UK jurisdictions are subject to risks arising from adverse movements in the value of their local currencies against pounds sterling, which may reduce the value of the New Ordinary Shares, as well as that of any dividends paid.

***Admission may not occur when expected***

Application for Admission is subject to the approval (subject to satisfaction of any conditions which such approval is expressed) of the UK Listing Authority and Admission will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange has acknowledged that the Existing Ordinary Shares and the New Ordinary Shares will be admitted to trading. There can be no guarantee that any conditions to which Admission is subject will be met or that the UK Listing Authority will issue a dealing notice. See the 'Expected Timetable of Principal Events' on page 35 of this document for further information on the expected dates of these events.

***If for any reason the assets of the Group are deemed to be plan assets for the purposes of ERISA, the Group and fiduciaries causing Plans to acquire or hold Ordinary Shares could be adversely affected***

The Company will seek to prevent the assets of the Group from being treated as plan assets for the purposes of ERISA, including avoiding sales of New Ordinary Shares in excess of five per cent. of the New Ordinary Shares to persons who are or are acting on behalf of (i) any employee benefit plan (as defined in section 3(3) of ERISA), that is subject to part 4 of Title I of ERISA, (ii) any plan to which section 4975(e)(1) of the Internal Revenue Code applies, (iii) a Benefit Plan Investor or (iv) any governmental, church, non-US or other plans subject to any federal, state, local or non-US law similar to the fiduciary responsibility provisions of ERISA or section 4975 of the Internal Revenue Code. In addition, if the ownership of Ordinary Shares by a holder will or may result in the Company's assets being deemed to constitute "plan assets" within the meaning of ERISA, the Company may, in accordance with its Articles, serve a notice upon the holder of such Ordinary Shares requiring the holder to transfer the Ordinary Shares to an eligible transferee within 14 days of such notice or such longer period as the Company considers reasonable. If within 14 days or such longer period as the Company considers reasonable, the transfer notice has not been complied with, the Company may sell the relevant Ordinary Shares on behalf of the holder by instructing a member of the London Stock Exchange to sell them to an eligible transferee. Despite these precautions, there can be no assurance that the Company will be effective in preventing underlying assets of the Group from being treated as plan assets for the purposes of ERISA. Investors are advised to consult their own legal counsel with regard to this issue.

If for any reason the underlying assets of the Group are deemed to be plan assets for the purposes of ERISA, the Group and fiduciaries causing Plans to acquire or hold Ordinary Shares could be adversely affected. With regard to the Group, although the reach of ERISA outside the United States is uncertain (i) certain transactions that the Group might enter into, or may have entered into, in the ordinary course of its business might constitute non-exempt "prohibited



transactions” under ERISA or section 4975 of the Internal Revenue Code, which generally requires rescission of prohibited transactions; (ii) various providers of fiduciary or other services to the Group, and any other parties with authority or control with respect to the Group, could be deemed to be Plan fiduciaries or otherwise Parties in Interest or Disqualified Persons by virtue of their provision of such service; and (iii) the payment of certain of the fees by the Group might be considered to be a non-exempt “prohibited transaction” under section 406 of ERISA or section 4975 of the Internal Revenue Code.

With regard to fiduciaries causing Plans to acquire Ordinary Shares, (i) the underlying assets of the Group could be subject to ERISA’s reporting and disclosure requirements, in which case a Plan fiduciary would be required to report the Plan’s share of each of the Group’s assets as an asset of the Plan; (ii) a fiduciary causing a Plan to make an investment in the equity of the Group could be deemed to have delegated its responsibility to manage the assets of the Plan and could be held responsible under ERISA for investment decisions made by the Group, (iii) it is not clear that section 403(a) of ERISA, which generally requires that all of the assets of a Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of Plans, would be satisfied and (iv) it is not clear that section 404(b) of ERISA, which generally prohibits Plan fiduciaries from maintaining the indicia of ownership of assets of Plans subject to Title I of ERISA outside the jurisdiction of the district courts of the United States, would be satisfied in all instances. Governmental, certain church, non-U.S. and other plans, while not subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Internal Revenue Code, may nevertheless be subject to state, local, federal or non-U.S. laws that are similar to the foregoing provisions of ERISA and the Internal Revenue Code. Fiduciaries of any such plans should seek financial advice from an independent financial adviser before acquiring any New Ordinary Shares. Your attention is also drawn to the section headed “**Certain ERISA Considerations**” in Part XIV (*Information on the New Ordinary Shares*) of this document.



## IMPORTANT INFORMATION

### 1. Presentation of financial information

Unless otherwise stated:

- financial information relating to the Group has been extracted without material adjustment from:
  - the audited consolidated financial statements for the Company prepared in accordance with IFRS for the year ended 30 December 2011;
  - the audited consolidated financial statements for the Company prepared in accordance with IFRS for the year ended 30 December 2012; and
  - the audited consolidated financial statements for the Company prepared in accordance with IFRS for the year ended 30 December 2013; and
- financial information relating to the Mall Fund has been extracted without material adjustment from the audited financial statements set out in Part X (*Historical Financial Information on the Mall Fund*) of this document.

All prices quoted for Ordinary Shares are closing prices as provided by the London Stock Exchange. All London Stock Exchange quoted share prices are expressed in pounds sterling.

Unless otherwise stated, financial information in this document relating to the Group and the Mall Unit Trust (aggregated with that of Mall General Partner) has been prepared in accordance with IFRS.

### 2. Rounding

Percentages and certain amounts included in this document have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

### 3. Forward-looking statements

Certain statements contained in this document, including those in the sections headed “**Summary**”, “**Risk Factors**”, “**Information on the Group**”, “**Information on the Mall Fund**”, “**Operating and Financial Review of the Group**” and “**Operating and Financial Review of the Mall Fund**” constitute “**forward-looking statements**”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “projects”, “aims”, “plans”, “predicts”, “prepares”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Capital & Regional, and/or the Group, and/or the Mall Fund, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which Capital & Regional, and/or the Group and/or the Mall Fund will operate in the future. Such risks, uncertainties and other factors are set out more fully in the section of this document headed “**Risk Factors**”.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group’s control. Forward-looking statements are not guarantees of future performance. The Group’s actual results of operations, financial condition and the development of the business sector in which the Group operates may differ materially from those suggested by the forward looking statements contained in this document including, but not limited to, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, currency changes, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the Group and its affiliates operate. In addition, even if the Group’s actual results of operations, financial condition and the development of the business sector in which the Group operates are consistent with the forward looking statements

contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read, in particular, the following parts of this document for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates: the section entitled "**Risk Factors**" on pages 20 to 32 of this document, Part V (*Information on the Group*), Part VI (*Information on the Mall Fund*), Part VII (*Operating and Financial Review of the Group*), Part VIII (*Operating and Financial Review of the Mall Fund*), Part IX (*Historical Financial Information on Capital & Regional*) and Part X (*Historical Financial Information on the Mall Fund*). The discussion in these sections, and other cautionary statements contained elsewhere in this document, identify certain important factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward looking statements in this document may not occur.

The forward-looking statements contained in this document speak only as of the date of this document. The Company, the Directors, J.P. Morgan Cazenove and Numis expressly disclaim any obligations or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules.

The statements above relating to forward-looking statements should not be construed as a qualification on the opinion of Capital & Regional as to working capital set out in paragraph 19 of Part XVI (*Additional Information*) of this document.

#### **4. Market, economic and industry data**

This document contains information regarding the Group's and the Mall Fund's business and the industry in which they respectively operate and compete, which the Company has obtained from various third party sources. Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as Capital & Regional is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third party data in this document from industry studies, forecasts, reports, surveys and other publications published or conducted by:

- GfK;
- IMRG Cap Gemini;
- CBRE;
- The British Retail Consortium; and
- Verdict.

#### **5. No incorporation of website information**

The contents of Capital & Regional's website do not form part of this document and investors should not rely on them.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. Please refer to the notes for this timetable set out below.

	2014
Record Date for entitlements under the Open Offer	5.00 p.m. on 18 June
Announcement of the Acquisition and the Capital Raising	20 June
Prospectus published, Forms of Proxy despatched and Application Forms despatched to Qualifying Non-CREST Shareholders	23 June
Ex-entitlement Date for the Open Offer	23 June
Basic Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST (Qualifying CREST Shareholders only)	as soon as possible after 8.00 a.m. on 24 June
Recommended latest time for requesting withdrawal of Basic Entitlements and Excess CREST Open Offer Entitlements from CREST (i.e. if your Basic Entitlements and Excess CREST Open Offer Entitlements are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 2 July
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 3 July
Latest time and date for splitting Application Forms	3.00 p.m. on 4 July
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments	2.00 p.m. on 7 July
<b>Latest time and date for receipt of completed Application Forms and payments in full and settlement of CREST instructions (as appropriate)</b>	11.00 a.m. on 8 July
General Meeting	2.00 p.m. on 9 July
Announcement of results of Firm Placing, Placing and Open Offer	9 July
Completion and Admission and dealings in Ordinary Shares, fully paid, commence on the London Stock Exchange	by 8.00 a.m. on 14 July
New Ordinary Shares credited to CREST stock accounts	by 8.00 a.m. on 14 July
Expected despatch of definitive share certificates for the New Ordinary Shares in certificated form	on or around 21 July

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### Notes:

- (1) The times and dates set out in the expected timetable of principal events above and mentioned in this document, the Application Form and in any other document issued in connection with the Capital Raising and the Acquisition are subject to change by the Company, in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, to Shareholders.
- (2) Any reference to a time in this document is to London time, unless otherwise specified.
- (3) The ability to participate in the Open Offer is subject to certain restrictions relating to Shareholders with registered addresses or located or resident in countries outside the UK, details of which are set out in paragraph 6 of Part IV (*Terms and Conditions of the Capital Raising*) of this document.

## CAPITAL RAISING AND ACQUISITION STATISTICS

Offer Price	47 pence
Number of Existing Ordinary Shares in issue <sup>(1)</sup>	349,688,796
Number of Firm Placed Shares to be issued pursuant to the Firm Placing	70,253,131
Number of Open Offer Shares to be issued pursuant to the Placing and Open Offer	280,810,699
Aggregate number of New Ordinary Shares to be issued pursuant to the Capital Raising	351,063,830
Aggregate number of Ordinary Shares to be admitted or readmitted (as applicable) to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities <sup>(2)</sup>	700,752,626
Enlarged Share Capital immediately following the Capital Raising and the Acquisition <sup>(2)</sup>	£7,007,526.26
New Ordinary Shares as a percentage of the Enlarged Share Capital following the Capital Raising and the Acquisition <sup>(2)</sup>	50.1 per cent.
Estimated gross proceeds of the Capital Raising	£165 million
Estimated expenses of the Capital Raising and the Acquisition <sup>(3)</sup>	£7.2 million
Estimated net proceeds receivable by the Company, after deduction of expenses of the Capital Raising and the Acquisition <sup>(3)</sup>	£158 million

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**Notes:**

(1) As at 20 June 2014, being the latest practicable date prior to the publication of this document.

(2) Assuming no new Ordinary Shares are issued under the Capital & Regional Employee Share Plans following the date of this document but prior to the completion of the Capital Raising and the Acquisition.

(3) Total estimated expenses split as follows: Capital Raising: £3.9 million; Acquisition: £3.3 million.

## DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	John Charles Clare CBE <i>Chairman</i> Hugh Yelverton Scott-Barrett <i>Chief Executive</i> Charles Andrew Rover Staveley <i>Group Finance Director</i> Mark Richard Bourgeois <i>Executive Director</i> Kenneth Charles Ford <i>Executive Director</i> Neno Francois Junius Haasbroek <i>Non-executive Director</i> Antony (Tony) John Hales CBE <i>Non-executive Director</i> Philip Newton <i>Non-executive Director</i> Louis Norval <i>Non-executive Director</i>
<b>Secretary</b>	Stuart Wetherly
<b>Registered office</b>	52 Grosvenor Gardens London SW1W 0AU
<b>Joint Sponsors, Brokers and Bookrunners</b>	J.P. Morgan Securities plc 25 Bank Street London E14 5JP  Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
<b>Legal Advisers to the Company as to English law</b>	Olswang LLP 90 High Holborn London WC1V 6XX
<b>Legal Advisers to the Joint Sponsors, Brokers and Bookrunners as to English and US law</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL
<b>Legal Advisers to the Company as to US law</b>	Sheppard Mullin (UK) LLP 25 Southampton Buildings London WC2A 1AL
<b>Registrars</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>Receiving Agent</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

**Auditor**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

**Reporting Accountants**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ



## PART I

### LETTER FROM THE CHAIRMAN OF CAPITAL & REGIONAL PLC

(incorporated and registered in England and Wales with registered number 01399411)

Registered Office  
52 Grosvenor Gardens  
London  
SW1W 0AU

#### Directors

John Charles Clare (Chairman)  
Hugh Yelverton Scott-Barrett (Chief Executive)  
Charles Andrew Rover Staveley (Group Finance Director)  
Mark Richard Bourgeois (Executive Director)  
Kenneth Charles Ford (Executive Director)  
Neno Francois Junius Haasbroek (Non-Executive Director)  
Antony John Hales (Non-Executive Director)  
Philip Newton (Non-Executive Director)  
Louis Norval (Non-Executive Director)

23 June 2014

Dear Shareholder,

#### **Proposed Acquisition of Units in the Mall Unit Trust**

and

#### **Application for Admission**

and

#### **Proposed Firm Placing of 70,253,131 New Ordinary Shares and Proposed Placing and Open Offer of 280,810,699 New Ordinary Shares at 47 pence per New Ordinary Share**

and

#### **Notice of General Meeting**

#### **1. Introduction**

On 20 June 2014, the Company announced that members of the Group had:

- entered into a conditional agreement with Aviva to acquire its 490,300,237 units in the Mall Unit Trust, representing 52.04 per cent. of the total number of Units in issue (the “**Aviva Acquisition Agreement**”); and
- entered into a conditional agreement with Karoo to acquire its 99,069,410 units in the Mall Unit Trust, representing 10.52 per cent. of the total number of Units in issue (the “**Karoo Acquisition Agreement**”).

The price to be paid by the Group pursuant to each of the Aviva Acquisition Agreement and the Karoo Acquisition Agreement will be £0.348889 per Unit, which is equal to the net asset value per Unit as at 31 March 2014, as adjusted for the Mall Fund’s interest rate swap liability and estimated performance fees at that date. There is a mechanism for adjusting the consideration upwards if the performance fee liability crystallises at a lower figure than estimated, and £0.012471 per Unit, being the estimated performance fees, will be paid by the Group into an escrow account for the purpose of that adjustment under each of the acquisition agreements. Accordingly, the maximum aggregate cash consideration payable by the Group pursuant to the Aviva Acquisition Agreement and the Karoo Acquisition Agreement (including the amount to be paid into escrow) is approximately £213 million. Further information on the terms of the Acquisition is set out in paragraph 6 of this letter and Part II (*Details of the Acquisition*) of this document.

Following completion of the Aviva Acquisition Agreement and the Karoo Acquisition Agreement, the Group’s current holding of Units, representing 29.26 per cent. of the total number of Units in issue, would be increased to 865,057,967 Units, representing 91.82 per cent. of the total number of Units in issue.

The Acquisition is a significant step towards completing the Group's strategic objective of focusing on its core UK shopping centre business. To further concentrate that focus, it is the Board's intention, subject to having the appropriate financing in place at the relevant time, to provide the Minority Unitholders with a liquidity opportunity in respect of their Units following the completion of the Acquisition in order to increase the Group's interest in the Mall Fund to as close to 100 per cent. as possible. Such liquidity opportunity may be by way of cash offer to the Minority Unitholders by a member of the Group or, failing that, by taking relevant steps to trigger a realisation entitlement for Minority Unitholders (for instance by bringing forward the continuation vote for the Mall Fund). However, there can be no guarantee that such liquidity opportunity will be made available by the Group or any certainty as to the exact timing of the same.

The Acquisition is of sufficient size relative to the size of the Group to constitute a reverse takeover under the Listing Rules and is, therefore, conditional upon the approval of Shareholders. Completion of the Acquisition is also conditional upon the satisfaction or waiver of the other conditions described in Part II (*Details of the Acquisition*) of this document.

In addition, Karoo is a related party of Capital & Regional as a result of the interests of Louis Norval and Neno Haasbroek in Karoo. As such, the Karoo Acquisition Agreement is classified as a related party transaction under the Listing Rules and is therefore also conditional upon the approval of Shareholders for the purposes of the Listing Rules. Similarly, the Karoo Acquisition Agreement represents a substantial transaction between the Company and a person connected with directors of the Company and is therefore also conditional upon the approval of Shareholders for the purposes of the Companies Act.

On 20 June 2014, the Company also announced a capital raising to be carried out by way of a firm placing, placing and open offer to raise gross proceeds of approximately £165 million. The net proceeds of the Capital Raising, together with existing cash and additional debt made available from an extension of the Group's existing borrowing facilities arranged on 6 June 2014, will be used to satisfy the amount of cash consideration payable under the terms of the Acquisition. In the case of the Karoo Acquisition Agreement, Karoo has irrevocably committed to use all of its cash consideration to subscribe for the Karoo Subscription Shares. Karoo's participation in the Karoo Subscription (and entry into certain documentation to effect the same) will also be classified as a related party transaction under the Listing Rules and is therefore also conditional upon the approval of Shareholders for the purposes of the Listing Rules.

The purpose of this document is to explain the background to, and provide you with information on, the Acquisition and the Capital Raising and to issue a notice of general meeting of the Company to be held to consider, and if thought appropriate, pass the resolutions needed to complete the Acquisition and the Capital Raising.

This document also explains why the Board believes the Acquisition and the Capital Raising to be in the best interests of the Shareholders taken as a whole. The Board (other than the Related Party Directors in the case of the Related Party Resolutions) recommends that you vote in favour of the Resolutions.

Shareholders should read the whole of this document and not just rely on the summarised information set out in this letter.

## **2. Background to and reasons for the Acquisition**

### *Strategic and operational benefits*

The Directors believe that the Group's core strength is managing and owning or having significant interests in dominant community shopping centres in the UK. This strength has been built up over many years of ownership and management of shopping centres. During this time, the Group has created what the Board believes to be an in-house team of specialists covering all the relevant disciplines of property and asset management in the retail sector. The Group's strategy is to concentrate on shopping centres as an asset class and the Board believes that the Acquisition represents an excellent opportunity to take control of the underlying real estate in its core investment, the Mall Fund. The Board believes that this will help the Group to position itself as the leading dominant community shopping centre owner in the UK and allow it to generate compelling returns from the strong cash generating ability of shopping centres paired with the attractive value and asset management opportunities which the Group intends to deploy following completion of the Acquisition.

The Acquisition follows the disposal in recent years of a number of the Group's non-core investments (including its interest in the Junction Fund, Xscape Braehead, X-Leisure Fund, the Great Northern Warehouse and Leisure World, Hemel Hempstead) and its acquisition in 2011 of a stake in the Waterside Shopping Centre, Lincoln and its acquisition in 2012 of a stake in the Kingfisher Shopping Centre, Redditch.

The proceeds from the disposals referred to in the previous paragraph have partly been used to fund the acquisition of 8.94 per cent. of the issued units in the Mall Unit Trust that were purchased in November and December 2013 from various Unitholders for a total of £28.9 million. This increased the Group's stake in the Mall Unit Trust to 29.26 per cent.

#### *The retail landscape*

The UK retail industry is a growing £321 billion market, employing in excess of three million people and representing approximately 20 per cent. of UK GDP according to the British Retail Consortium. It is a dynamic industry reacting to and reflecting consumer behaviours, particularly in response to technological advances. Verdict, the retail industry consultancy and analyst firm, forecasts that retail expenditure in the UK will grow by 16.5 per cent. over the next five years. There is also a public policy agenda in the UK to reinvigorate town centres, returning them to the heart of the community.

The retail property landscape has changed fundamentally over the past five years. The significant supply of space on the high street has meant that occupiers have become highly selective on location. Occupancy of shopping centres in which the Group has invested has held firm against a backdrop of retail failures. That is because strong retailers have continued to expand. CBRE, the property valuation firm, note that retailers with a national presence have increased store numbers by a cumulative 10 per cent. over the past five years, and with improving demand for leisure space, leisure outlets have increased by 42 per cent. in the same period.

As retailers evolve in a multichannel environment, the Board believes that the Group's challenge is to anticipate and respond to the changing landscape by providing relevant and attractive places in which retailers can profitably operate. As shoppers continue to embrace these changing habits, the Directors believe that those retail centres providing convenient, accessible and attractive destinations will thrive. The Group is of the view that the managed shopping centre environment, dominant in its location, delivers the ideal platform.

The Board believes that retailers that embrace a multichannel strategy have the opportunity to be more profitable than those which purely sell online. As such, the service of enabling shoppers to collect goods that have previously been bought online, known as "click & collect", offers a growth opportunity for UK shopping centres. According to the IMRG Cap Gemini e-Retail Sales Index, purchasing/reserving online and collecting in store now accounts for 25 per cent. of multichannel retail sales.

In summary, the Board believes that favourable shopping trends, moving towards "click & collect", combined with healthy retail spending forecasts and increased national occupier requirements for quality retail and leisure space, point to a favourable retail environment, outweighing the oversupply headwinds that exist in the wider retail property market. The Directors believe this provides an encouraging backdrop for the completion of the Acquisition and the significant investment programme planned for the Mall Fund's underlying assets.

#### *The attraction of dominant community shopping centres*

The Mall Fund's shopping centres can best be characterised as dominant community shopping centres in the UK. The key attributes of these assets are:

- Town centre locations which are dominant in the local community with a significant catchment area.
- Strong footfall.
- High occupancy levels.
- Affordable rental levels.
- Opportunities to generate future growth in value from asset management or development opportunities.
- Ownership of car parking and easily accessible public transport facilities.
- Average of over 500,000 square feet lettable area.

Research shows that the most successful centres will be located in substantial catchment areas where they can draw on significant available spending power in established markets. These centres will also be the dominant retail/leisure offering in these catchments or, at least, provide a clear defined point of difference, at scale, within the retail hierarchy. As a community hub, dominant centres are well positioned in the context of the multi-channel shopping environment. They can provide effective “click & collect” and “click & return” propositions to the community, this in turn encouraging and creating new linked shopping trips and associated spending opportunities. Within the eight UK shopping centres in which the Group holds an interest, 58 per cent. of occupiers offer a “click & collect” service, a trend that the Board expects to continue to grow.

The Group tries to meet the demanding expectations of the shoppers at the eight centres in which it is interested in terms of level of service, convenience, range and quality of facilities. The Directors believe that these shoppers have a real appreciation of value and local community. These community hubs provide retailers with a cost effective location from which to serve their customers and sit as an essential element of the multichannel operation.

Successful centres benefit from good road links, ample car parking and easily accessible public transport. They deliver a convenient and cost effective shopping proposition within the catchment area, aligned to the needs of local residents and visitors. Approximately 37 per cent. of shoppers at these eight shopping centres visit by public transport and the portfolio has, in aggregate, more than 10,000 car parking spaces.

Scale is important to the delivery of a dominant shopping centre, both in terms of overall floor space and the breadth of offer. Shoppers may typically frequent these centres many times per week and in the Board’s view the centre’s shops must be capable of providing a range of convenience and comparison offers, in order to reinforce the centre’s relevance and importance in its catchment area. The Board also believes that scale affords the opportunity to introduce new space and uses, as well as to refresh/reposition offers in line with changing retailing trends and to invest in technology in order to enhance the shopping experience and be at the forefront of technological change.

The Board is seeing increasing investment interest in dominant community shopping centres as an asset class which reflects:

- The opportunity for capital growth – there are increasing signs of the strong recovery in values which have been seen in prime properties now spreading into the secondary sector, where investors are seeing improving value and greater opportunities to drive performance relative to prime property with very demanding yields.
- Rental growth potential – rental values on the Mall Fund’s assets are on average 11.7 per cent. lower than peak levels. These rental levels provide attractive occupancy cost levels for retailers which should help to stimulate demand and future growth in rents.
- Investment potential – many secondary centres have also suffered from capital under-investment since the downturn in 2007. Asset values typically reflect this position, with investors now able to invest at levels where capital improvements will directly translate into improved values and returns, further reinforcing the investment potential seen in secondary centres.

In addition, the Board believes that the pre-conditions for rental growth are now in place at the shopping centres within the Group’s portfolio. For example, against the backdrop of a positive macro-economic environment driving consumer and retailer confidence, the Group is experiencing a lower rate of tenant administrations than previously, which is leading to improved occupancy levels. Footfall numbers at the centres are increasing and rental levels are showing the first signs of improvement, which the Directors believe is in-line with sustained demand for affordable space from leading leisure operators and fashion retailers.

#### *Financial effects of the Acquisition*

The Units are being acquired, whether under the Aviva Acquisition Agreement or the Karoo Acquisition Agreement, at a price based on the net asset value of the Units as at 31 March 2014, subject to certain adjustments (further details of which are set out in paragraph 6 of this letter). The gross asset value of properties held by the Mall Fund as at 31 December 2013 was £684.7 million. The profit before tax attributable to the Mall Fund for the financial year ended 31 December 2013 was £12.1 million.

Assuming the Acquisition had become effective on 30 December 2013, the Group would have had net assets of £342.7 million as at that date based on the net assets of the Group as at 30 December 2013 and the Mall Fund as at 31 December 2013 and assuming that the aggregate expenses (exclusive of recoverable VAT) payable by the Group in connection with the Acquisition and the Capital Raising are approximately £7.2 million.

The Directors expect that the Acquisition will make a significant positive contribution to total earnings and cash flow for the Group in the financial year ending 30 December 2014, as a result of the increased share of income from the Mall Fund.

#### *Corporate governance*

Following completion of the Acquisition, the Board intends to appoint another independent non-executive director to the Board which will increase the total number of non-executive directors from five to six.

### **3. Information on the Mall Fund**

The Mall Fund is a dominant community shopping centre fund in the UK, owning six properties with a total lettable space of over 3 million square feet and home to in excess of 700 retail units.

The shopping centres owned by the Mall Fund are:

- The Mall, Blackburn
- The Mall, Camberley
- The Mall, Luton
- The Mall, Maidstone
- The Mall, Walthamstow
- The Mall, Wood Green

#### *Valuation and financial metrics*

As set out in the CBRE and Cushman & Wakefield valuation reports included in Part XIII (*Property Valuation Reports*) of this document, the independent valuation of the six properties in the Mall Fund as at 31 March 2014 was £684.7 million.

Key unaudited financial metrics for the Mall Fund extracted (without material adjustment) from the annual report and accounts of the Company for the period ending 30 December 2013 are as follows:

	<b>At 31 December 2013</b>
Passing rent at year end	£53.8m
Initial yield	6.8%
Vacancy rate	4.7%
LTV ratio	55.4%

#### *Ownership*

The holdings of Units at 20 June 2014, being the latest practicable date prior to publication of this document, were as follows:

- Aviva and other funds linked to Aviva – 52.04 per cent.
- Capital & Regional Units LLP – 29.26 per cent.
- Karoo – 10.52 per cent.
- Others – 8.18 per cent.

#### *Management and governance*

The Mall Fund's property portfolio is managed by Capital & Regional Property Management Limited (the "**Capital & Regional Property Manager**"), a subsidiary of Capital & Regional, as asset and property manager, with Aviva Investors (the "**Mall Fund Manager**") fulfilling the regulated fund management role. Investors hold Units which allows exposure to a diversified portfolio of properties without direct investment and the ability to transfer Units without incurring SDLT.



The business of the Mall Fund is managed by Mall (General Partner) Limited (the “**Mall General Partner**”), a UK registered company acting as general partner of the Mall Fund. The Company currently has one seat on the board of directors of Mall General Partner, two seats are currently held by Aviva with a further two seats (including the chairman who holds a casting vote) held by independent directors (being directors with appropriate property and/or fund management experience who are free from any material business relationships with any Unitholder) and one seat by a director appointed to represent Minority Unitholders. The issued shares in Mall General Partner are held as to 50 per cent. by a company connected to Aviva and as to the other 50 per cent. by a member of the Group. On Completion, the Group will acquire the shares in Mall General Partner it does not own. As a result of that acquisition, two representatives of the Group will be appointed to the two seats currently held by Aviva. In addition, since the Group will on Completion own in excess of 85 per cent. of the Mall Unit Trust, it will be able, under the constitutional documents of Mall General Partner, to ensure the passing of resolutions to appoint and remove the independent directors, giving it the ability to appoint a majority of the board.

#### *Mall Fund debt facility*

In July 2005, the Mall Fund raised £1,060 million via a commercial mortgage backed securitisation (the “**CMBS**”). This was achieved through the issue of secured floating rate notes maturing in 2014 (the “**Notes**”). The Notes were issued by Mall Funding plc, a special purpose company held outside of the Mall Fund, and were listed on the Irish Stock Exchange. Mall Funding plc also entered into an interest rate swap to mitigate the interest rate risk arising in relation to the payment of a floating rate of interest under the Notes (the “**Interest Rate Swap**”) and a liquidity facility to ensure that its payment obligations to the holders of the Notes could be met (the “**Liquidity Facility**”). Mall Funding plc also entered into the Mall Funding Loan under which it lent the proceeds of the Notes to the Mall Limited Partnership secured over, amongst other things, certain of the assets of the Mall Limited Partnership and Mall General Partner.

In September 2006, a second issue of Notes under the CMBS was made raising £375 million. In July 2010 the CMBS was restructured with the holders of the Notes agreeing to, amongst other things, an extension of the maturity of the Notes to April 2015. As at 29 May 2014, the amount outstanding under the Notes was £379.5 million.

On 30 May 2014, the Mall Limited Partnership completed the drawdown of a £350 million term loan facility with Morgan Stanley & Co. International plc, amongst others (the “**Mall Fund Senior Facility**”). Such drawdown, combined with £29.5 million of existing cash resources within the Mall Fund, enabled the Mall Limited Partnership to settle the Mall Funding Loan in full, and will allow Mall Funding plc to settle the Notes in full on 22 July 2014. The settlement of the Mall Funding Loan triggered the termination of the Liquidity Facility and the Interest Rate Swap. The termination of the Interest Rate Swap crystallised the liability of £10.7 million, including accrued interest, which was discharged in full on 30 May 2014. Further costs of £6.3 million have been incurred in respect of the refinancing which will be amortised over the term of the Mall Fund Senior Facility. In addition, costs of £0.3 million have been incurred which will be charged to the income statement of the Mall Fund.

Further details in relation to the terms of the Mall Fund Senior Facility are set out in paragraph 5.6 of Part VI (*Information on the Mall Fund*) and at paragraph 16 of Part XVI (*Additional Information*) of this document.

#### *Financial information*

Financial information on the Mall Fund is set out in Part X (*Historic Financial Information on the Mall Fund*) of this document.

## **4. Financing of the Acquisition**

The cash consideration payable by the Group in relation to the Acquisition will be funded through a combination of available cash and additional debt provided by the 2014 Amended and Restated Revolving Credit Facility together with the net proceeds of the Capital Raising. Details of the 2014 Amended and Restated Revolving Credit Facility are contained in paragraph 16 of Part XVI (*Additional Information*) of this document.



## **5. Future strategy of the Group**

It is the intention that the Mall Fund will form the cornerstone of a portfolio of dominant community shopping centres in the UK. The Group believes that each of the underlying core properties in the Mall Fund offers attractive opportunities for asset management initiatives and development opportunities that the Group will aim to exploit. The Group intends to use the proceeds from the disposal of assets in its German Joint Venture and other non-core operations to reduce leverage and to repay the Group's borrowing following completion of the Acquisition under the 2014 Amended and Restated Revolving Credit Facility. Any proceeds which remain following such debt repayment will be used for capital expenditure and further acquisitions of UK shopping centre assets.

This acquisition of further assets will, in the Board's view, allow the Group to enjoy scale benefits of a larger property portfolio both in terms of its asset portfolio and the efficiency of the management platform.

The Directors believe that the Group's experienced team will deliver significant asset management and development initiatives across the Group's portfolio. The Directors also believe that continuing investment is essential to maintain and further enhance the relevance of the Group's portfolio. Across the portfolio of eight UK shopping centres, the Group has identified programmes of capital expenditure totalling approximately £40 million over the next three years from which the Group is targeting income returns of at least 10 per cent. over that period. The Group is also actively progressing a further £36 million of identified value-adding initiatives and is working on exciting masterplan developments for The Mall, Camberley and The Mall, Maidstone which, if implemented, would deliver transformational improvements to these centres.

The Group's current intention is to convert to a REIT at the earliest opportunity with a target date of 31 December 2014. The Group has conducted an initial analysis of the Group's eligibility for the REIT regime and provided that the requisite level of Shareholders approve the Company buying back all the Deferred Shares currently in issue when the relevant resolution is put to Shareholders in due course, the Directors are not currently aware of any material issues which would prevent the Company from qualifying for REIT status.

The ultimate aim of the Directors is for the Group to become the leading dominant community shopping centre REIT in the UK.

Should the Group become a REIT, it will be required to distribute not less than 90 per cent of its earnings from qualifying activities as dividends to Shareholders. Irrespective of the timing or feasibility of such conversion to a REIT, the Directors intend for the Company to distribute the majority of its earnings to Shareholders as dividends. This policy will be adopted by the Group in respect of the first full financial year of ownership of the Mall Fund in the absence of conversion to a REIT. The Company's target is to deliver a dividend yield in excess of five per cent. from 2015, with such target increasing to in excess of six per cent. once the Group has acquired 100 per cent. of the Units and restructured the Mall Fund. The Board believes, based on the Offer Price, that the Group has the ability to offer Shareholders a highly attractive dividend yield relative to the sector.

This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all. This target return should not be taken as an indication of the Company's expected or actual current or future results. The Company's actual return will depend upon a number of factors. Potential investors and Shareholders should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in the Company.

## **6. Further details on the terms and conditions of the Acquisition**

In addition to the cash consideration payable under the Aviva Acquisition Agreement and the Karoo Acquisition Agreement as described in paragraph 1 above, Aviva and Karoo will receive a share of the Mall Fund's income for the period from 1 April 2014 to Completion (to the extent not already paid prior to Completion), which will be paid to them upon distributions being made by the Mall Unit Trust if and at such time as the Mall Unit Trust is able to and resolves to pay such distributions.

The price to be paid by the Group pursuant to each of the Aviva Acquisition Agreement and the Karoo Acquisition Agreement will be £0.348889 per Unit, which is equal to the net asset value per Unit as at 31 March 2014, as adjusted for the Mall Fund's interest rate swap liability and estimated

performance fees at that date. There is a mechanism for adjusting the consideration upwards if the performance fee liability is less than estimated, and £0.012471 per Unit, being the estimated performance fees, will be paid by the Group into an escrow account for the purpose of that adjustment under each of the acquisition agreements. The Group's maximum additional liability pursuant to both the Aviva Acquisition Agreement and the Karoo Acquisition Agreement for such additional consideration is approximately £7.4 million in aggregate.

Accordingly, the aggregate cash consideration payable by the Group at Completion pursuant to the Aviva Acquisition Agreement and the Karoo Acquisition Agreement (including the amount to be paid into escrow) is approximately £213 million.

Further details of the acquisition agreements and the escrow arrangements are set out in Part II (*Details of the Acquisition*) of this document.

In addition, pursuant to an agreement entered into between the Capital & Regional Property Manager, the Company and the Aviva Sellers on 20 June 2014 (as summarised further at paragraph 6 of Part II (*Details of the Acquisition*) of this document), the Capital & Regional Property Manager has agreed to rebate to the Aviva Sellers certain fees received by the Capital & Regional Property Manager under the Mall Property Management Agreement. The amount to be rebated is to be equal to the amount of the performance fee borne by the Aviva Sellers under the Aviva Acquisition Agreement by virtue of amounts being returned to the Group from amounts paid into escrow at Completion. The maximum amount payable by the Group pursuant to this agreement is £6.1 million.

Pursuant to a further agreement entered into on 12 June 2014 between the Company and Aviva Investors (as summarised at paragraph 5 of Part II (*Details of the Acquisition*) of this document), in return for Aviva Investors agreeing that if the next performance fee due from the Mall Fund under the Mall Fund Management Agreement is triggered on or before 30 June 2015, it will be capped at the amount of £5.9 million (plus VAT), the Company has agreed to pay Aviva Investors a sum (together with any VAT chargeable thereon) equal to the amount (if any) by which the next performance fee payable under the Mall Fund Management Agreement, if triggered on or before 30 June 2015, is less than £5.9 million. The Capital & Regional Property Manager has also agreed that if the next performance fee from the Mall Fund under the Mall Property Management Agreement is triggered on or before 30 June 2015, it will be capped at £5.9 million (plus VAT). Both of these agreements are conditional on Admission.

In addition, on 20 June 2014 Capital & Regional GP and Norwich Union (Mall GP) Limited entered into the Mall GP Acquisition Agreement pursuant to which Capital & Regional GP will acquire the remaining 50 per cent. shareholding in Mall General Partner for an aggregate cash price of £77,712. The completion of the Mall GP Acquisition Agreement is conditional upon completion of the Aviva Acquisition Agreement.

Completion is conditional upon, *inter alia*, approval by Shareholders of the Resolutions and Admission as well as on those other matters set out in Part II (*Details of the Acquisition*) of this document. The Company expects Completion to occur on 14 July 2014.

As the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion the listing on the premium listing segment of the Official List of all of the Existing Ordinary Shares will be cancelled, and application will be made for the immediate readmission of those Existing Ordinary Shares and the admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that dealings in the Existing Ordinary Shares and the New Ordinary Shares will commence at 8.00 a.m. on 14 July 2014. The number of Ordinary Shares which will be the subject of Admission will be 700,752,626 Ordinary Shares.

Further details about the Acquisition are set out in Part II (*Details of the Acquisition*) of this document.

## **7. Further details on the terms and conditions of the Capital Raising**

### **The Firm Placing**

The Bookrunners, as agents for the Company, have made arrangements to place the Firm Placed Shares (being 70,253,131 New Ordinary Shares or 20.0 per cent. of the Capital Raising) firm with Placees at the Offer Price. The Firm Placing is expected to raise approximately £33.0 million. The Firm Placed Shares are not subject to clawback and therefore do not form part of the Open Offer.

## **The Placing and Open Offer**

The Open Offer is an opportunity for Qualifying Shareholders to acquire Open Offer Shares (being in aggregate 280,810,699 million New Ordinary Shares or 80.0 per cent. of the Capital Raising) by both subscribing for their respective Basic Entitlements and by subscribing for Excess Shares under the Excess Application Facility, subject to availability, at the Offer Price in accordance with the terms of the Open Offer. The Open Offer is expected to raise approximately £132.0 million. Pursuant to the Underwriting Agreement, the Bookrunners, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares (other than the Open Offer Shares constituting the Karoo Subscription Shares) with institutional investors at the Offer Price, subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer.

The Company has agreed to issue the Karoo Subscription Shares (being 73,540,911 Open Offer Shares or 26.2 per cent. of the Open Offer Shares) to Karoo at the Offer Price. Karoo has agreed to subscribe for such Karoo Subscription Shares using all of the cash consideration payable by the Group to Karoo at Completion under the terms of the Karoo Acquisition Agreement, on the basis that such Karoo Subscription Shares are not subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer. However, as the Karoo Subscription Shares represent 99.9 per cent. of the number of New Ordinary Shares that certain members of the Parkdev Group have irrevocably undertaken not to apply for under the Open Offer pursuant to the terms of the Parkdev Group Irrevocable Undertaking, the issue of the Karoo Subscription Shares will not dilute the ownership interest of any Shareholder who takes up their Open Offer Entitlement in full.

Qualifying Shareholders will have a Basic Entitlement of:

### **53 Open Offer Shares for every 66 Existing Ordinary Shares**

registered in the name of the relevant Qualifying Shareholder on the Record Date and so in proportion to any other number of Existing Ordinary Shares held.

Qualifying Shareholders may also apply, under the Excess Application Facility, for any whole number of Excess Shares up to a maximum of 13 Excess Shares for every 66 Existing Ordinary Shares registered in the name of the relevant Qualifying Shareholder on the Record Date.

Basic Entitlements under the Open Offer will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and sold for the benefit of the Company.

In the event that valid acceptances are not received in respect of all of the Open Offer Shares under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility and, to the extent that there remain any unallocated Open Offer Shares, they will be placed under the Placing.

The Record Date for entitlements under the Open Offer for Qualifying Shareholders is 5.00 p.m. on 18 June 2014. Application Forms for Qualifying Non-CREST Shareholders are expected to be posted to Qualifying Non-CREST Shareholders on 23 June 2014 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 24 June 2014. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 8 July 2014 with Admission expected to take place at 8.00 a.m. on 14 July 2014.

The Firm Placing and the Placing and Open Offer are inter-conditional and conditional, among other things, on the approval of Shareholders, which will be sought at a General Meeting convened for 9 July 2014.

Participation in the Firm Placing does not prevent Firm Placees from acquiring Open Offer Shares, provided that such Firm Placee is a Qualifying Shareholder. Open Offer Entitlements attach only to Existing Ordinary Shares held by Qualifying Shareholders, as at the Record Date (being 5.00 p.m. on 18 June 2014) and not to the New Ordinary Shares. Karoo will not be participating in the Firm Placing or the Placing over and above its participation in the Karoo Subscription.

The Offer Price will be at a discount of 2.1 per cent. to the Closing Price of 48 pence per Ordinary Share as at 19 June 2014 (being the latest practicable date prior to the announcement of the Acquisition and the Capital Raising).

### **Excess Application Facility**

Subject to availability, the Excess Application Facility enables Qualifying Shareholders who have taken up their Basic Entitlement in full to apply for additional Open Offer Shares in addition to their Basic Entitlements up to a maximum of 13 Excess Shares for every 66 Existing Ordinary Shares held by them at the Record Date. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete the relevant sections on the Application Form. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 4 of Part IV (*Terms and Conditions of Capital Raising*) of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility. Applications under the Excess Application Facility may be allocated in such manner as the Directors determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

### **Application procedure under the Open Offer**

Qualifying Shareholders may apply for any whole number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to above. The Basic Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Basic Entitlements as shown in Box 7 on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST.

Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Basic Entitlements.

Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlement and also in respect of their Excess CREST Open Offer Entitlement as soon as possible after 8.00 a.m. on 24 June 2014.

Application will be made for these Basic Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. It is expected that these Basic Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 24 June 2014. These Basic Entitlements and Excess CREST Open Offer Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on 24 June 2014. Applications through the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying CREST Shareholders should note that, although their Basic Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that their Application Form is not a negotiable document and cannot be traded.

### **Conditionality**

The Capital Raising is fully underwritten by the Bookrunners pursuant to the Underwriting Agreement other than in relation to Karoo's subscription for the Karoo Subscription Shares. The principal terms of the Underwriting Agreement which was entered into on 20 June 2014, including insofar as it relates to the conditionality of the Capital Raising, are summarised in paragraph 16 of Part XVI (*Additional Information*) of this document.

### **Admission**

The Open Offer Shares, the Placing Shares and the Firm Placed Shares will, when issued and fully paid, rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

Application will be made to the UK Listing Authority and the London Stock Exchange for the Open Offer Shares, the Placing Shares and the Firm Placed Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 14 July 2014.

## 8. Current trading and future prospects of the Group

On 5 March 2014, the Company announced its results for 2013. The Company commented that the Group continued to make significant progress in the execution of its strategy and that this was reflected by a six per cent. increase in net asset value per share from 2012, a return to profitability, with profit before tax for the year of £9.3 million, and the resumption of dividend payments. The Company also noted that with a much strengthened financial position, the Group will be focusing its financial resources and management skills on investing in and actively managing a portfolio of dominant community shopping centres in the UK, building on its proven track record of recycling capital.

On 16 May 2014, the Company issued its Interim Management Statement which contained the quarterly valuation of the Mall Fund as at 31 March 2014. This showed the valuation of properties within the Mall Fund was £684.7 million, the same as at 31 December 2013, reflecting an underlying decline in value of 0.2 per cent. net of capital expenditure incurred during the quarter ended 31 March 2014. The Company also reported that its portfolio of eight UK shopping centre interests had secured £1.6 million of new lettings and lease renewals, with the lettings achieved at 2.1 per cent. above estimated rental values. A further £2 million of lettings and renewals was expected in the quarter ending 30 June 2014. The Company also reported that footfall in these eight UK shopping centres for the first four months of 2014 had increased 2.4 per cent. compared to the same period in 2013.

The Directors believe that sentiment is improving in both the investment and tenant markets and, as occupiers are more confident, this will translate into strong lettings. In the light of this improving market, the Company expects its asset management programme and improving sentiment to deliver some growth in capital values over the next quarter.

## 9. Risk factors

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolutions and/or invest in the New Ordinary Shares, please refer to the Risk Factors on pages 20 to 32 of this document.

## 10. Share schemes

The exercise price and/or the number of Ordinary Shares comprised in an option or award granted pursuant to the Capital & Regional Employee Share Plans may, in accordance with the rules of such plans, be adjusted in such manner as the Board or the Remuneration Committee (as the case may be under the relevant plan) determine to address the dilutory impact of the Capital Raising. The Directors do not anticipate that any new options or awards will be granted pursuant to the Capital & Regional Employee Share Plans between the date of this document and Admission. As set out in the Annual Report and Accounts for the year ended 30 December 2013, the Company is planning a further grant of awards under the LTIP in 2014, which will occur after Admission (assuming it occurs) and at the following levels:

<b>Director</b>	<b>Percentage of salary</b>
Hugh Scott-Barrett	150%
Kenneth Ford	100%
Charles Staveley	100%
Mark Bourgeois	100%

It is also planned that a small group of non-board level management will also receive an award under the LTIP during 2014 after Admission.



## 11. Directors' participation in the Open Offer

The Directors intend to take up the following number of Open Offer Shares in respect of their Basic Entitlements and to apply for the following number of Excess Shares under the Excess Application Facility:

<b>Director</b>	<b>Basic Entitlement</b>	<b>Number of Open Offer Shares in respect of the Basic Entitlement</b>	<b>Number of Excess Shares to be applied for under the Excess Application Facility</b>
John Clare	237,937	237,937	58,362
Hugh Scott-Barrett	1,085,741	384,000	94,189
Charles Staveley	227,354	227,354	0
Mark Bourgeois	172,651	152,836	19,815
Kenneth Ford	1,179,060	319,149	0
Philip Newton	131,536	131,536	32,264
Louis Norval	0	0	0
Neno Haasbroek	96,363	96,363	0
Tony Hales	120,454	120,454	29,545

## 12. General Meeting

At the end of this document, you will find a notice convening a General Meeting of the Company, which is to be held at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW on 9 July 2014 at 2.00 p.m. A summary of the action you should take is set out in paragraph 13 of this letter and in the Form of Proxy that accompanies this document.

The purpose of the General Meeting is to consider and, if thought fit, pass the Resolutions, in each case as set out in full in the Notice of General Meeting.

**Your attention is again drawn to the fact that the Acquisition and the Capital Raising are conditional and dependent upon the Resolutions being passed** (and there are also additional conditions which must be satisfied before the Acquisition and Capital Raising can be completed).

The Acquisition is classified under the Listing Rules as a reverse takeover and insofar as it relates to Karoo, a related party transaction under the Listing Rules and a substantial property transaction under the Companies Act, and its implementation therefore requires the approval of Shareholders. Karoo's participation in the Karoo Subscription and entry into the Karoo Subscription Agreement and Karoo Acquisition Settlement Letter are also related party transactions under the Listing Rules.

### *Resolution 1*

Resolution 1 proposes that (subject to and conditional upon the passing of Resolutions 2, 3, 4, 5 and 6), the Acquisition be approved and that the Directors be authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Acquisition.

### *Resolution 2*

Resolution 2 proposes that (subject to and conditional upon the passing of Resolutions 1, 3, 4, 5 and 6), the Karoo Acquisition Agreement be approved and that the Directors be authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Karoo Acquisition Agreement.

Louis Norval and Neno Haasbroek, on account of their connection with Karoo, will not vote on Resolution 2 and have undertaken to take all reasonable steps to ensure that their associates (as defined in the Listing Rules) will not vote on that Resolution.

### *Resolution 3*

Resolution 3 proposes that (subject to and conditional upon the passing of Resolutions 1, 2, 4, 5 and 6), Karoo's participation in the Karoo Subscription and entry into the Karoo Subscription Agreement and Karoo Acquisition Settlement Letter be approved and that the Directors be authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Karoo Subscription with Karoo and the Karoo Subscription Agreement and the Karoo Acquisition Settlement Letter.



Louis Norval and Neno Haasbroek, on account of their connection with Karoo, will not vote on Resolution 3 and have undertaken to take all reasonable steps to ensure that their associates (as defined in the Listing Rules) will not vote on that Resolution.

#### *Resolution 4*

Resolution 4 proposes that (subject to and conditional upon the passing of Resolutions 1, 2, 3, 5 and 6), the Karoo Acquisition Agreement be approved for the purposes of section 190 of the Companies Act.

#### *Resolution 5*

Resolution 5 proposes that (subject to and conditional upon the passing of Resolutions 1, 2, 3, 4 and 6), that the Directors be authorised to allot and issue up to 351,063,830 New Ordinary Shares in connection with the Capital Raising.

Resolutions 1, 2, 3, 4 and 5 will be proposed as ordinary resolutions. These resolutions must be approved by Shareholders (excluding Louis Norval and Neno Haasbroek and their respective associates (as defined in the Listing Rules) to the extent any of them are Shareholders, in the case of Resolutions 2 and 3) who together represent a simple majority of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting.

#### *Resolution 6*

Resolution 6 proposes that (subject to and conditional upon the passing of Resolutions 1, 2, 3, 4 and 5) the Directors be authorised to allot and issue up to 351,063,830 New Ordinary Shares in connection with the Capital Raising as if the statutory pre-emption rights did not apply to such allotment and issue.

Resolution 6 will be proposed as a special resolution. This resolution must be approved by Shareholders who together represent at least three quarters of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting.

The Capital Raising and the Acquisition will not proceed unless each of the Resolutions is passed.

For further information in relation to all of the Resolutions to be proposed at the General Meeting, see the Notice of General Meeting.

As at 20 June 2014, being the latest practicable date prior to the publication of this document, the aggregate holding of Ordinary Shares of Louis Norval, Neno Haasbroek and their respective associates (as defined in the Listing Rules) was 102,427,163 Ordinary Shares, representing 29.3 per cent. of the Company's issued ordinary share capital.

### **13. Action to be taken**

You will find enclosed with this document a Form of Proxy for use in connection with the General Meeting.

It is important to us that Shareholders have the opportunity to vote, even if they are unable to come to the General Meeting. If you are unable to come to the General Meeting, you can use the enclosed Form of Proxy to nominate someone else to come to the meeting and vote for you (this person is called a proxy).

To appoint a proxy, you need to send back the Form of Proxy. As an alternative to returning the Form of Proxy, you can appoint a proxy electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk) using the Voting ID, Task ID and Shareholder Reference Number on the Form of Proxy. Details of the procedure are set out in the notes to the Form of Proxy and the notes to the Notice of General Meeting.

You are requested to complete and sign the Form of Proxy whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received by no later than 2.00 p.m. on 7 July 2014 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting), to Equiniti Limited, the Company's Registrar, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

If you hold your Ordinary Shares in uncertificated form (i.e., in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Company's Registrar (under CREST participant RA19), in each case by no later than 2.00 p.m. on 7 July 2014 (or, in the case of an

adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

Unless the Form of Proxy (or the electronic appointment of a proxy) or CREST Proxy Instruction is received by the relevant date and time specified above, it will be invalid.

Completion and posting of the Form of Proxy (or the electronic appointment of a proxy) or completing and transmitting a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting if you wish to do so.

#### **14. Further information**

Your attention is drawn to the section entitled "Risk Factors" of this document on pages 20 to 32 and to Part XVI (*Additional Information*) of this document. You should read all of the information contained in this document before deciding the action to take in respect of the General Meeting.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Company's website ([www.capreg.com](http://www.capreg.com)). It is expected that this will be on 9 July 2014.

#### **15. Recommendation**

**The Board considers the terms of the Acquisition and the Capital Raising to be in the best interests of the Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings and those of their connected persons (other than the Related Party Directors and their associates (as defined in the Listing Rules) in the case of the Related Party Resolutions), which amount in aggregate to 106,466,871 Ordinary Shares (4,039,708 Ordinary Shares excluding those held by the Related Party Directors and their associates) and represent approximately 30.4 per cent. (1.2 per cent. excluding Ordinary Shares held by the Related Party Directors and their associates) of the Company's issued ordinary share capital as at 20 June 2014 (being the latest practicable date prior to publication of this document).**

**The Independent Board, which has been so advised by J.P. Morgan Cazenove and Numis, considers the terms of each of the Related Party Transactions to be fair and reasonable as far as the Shareholders as a whole are concerned. In providing its advice to the Independent Board, J.P. Morgan Cazenove and Numis have taken into account the Independent Board's commercial assessment of the Related Party Transactions.**

Yours faithfully

**John Clare**  
*Chairman*

## PART II

### DETAILS OF THE ACQUISITION

#### 1. Acquisition Structure

The Acquisition comprises:

- (a) the acquisition of Units from Aviva pursuant to the Aviva Acquisition Agreement;
- (b) the acquisition of Units from Karoo pursuant to the Karoo Acquisition Agreement; and
- (c) the acquisition of the remaining 50 per cent. of the issued share capital in Mall General Partner not held by the Group pursuant to the Mall GP Acquisition Agreement.

Following Completion, the existing structure of the Mall Fund will continue and each of the Mall Trustee, the Mall Trust Manager, Mall General Partner, the Mall Fund Manager and the Capital & Regional Property Manager will remain appointed on their existing terms, save as set out below.

#### 2. Principal terms of the Aviva Acquisition Agreement

The Aviva Acquisition Agreement was entered into on 20 June 2014 between the Aviva Sellers, Capital & Regional Europe Holdings, the Company and the Mall Trustee. Pursuant to the terms of the Aviva Acquisition Agreement, the Aviva Sellers have conditionally agreed to sell 490,300,237 Units to the Group, subject to the terms and conditions of the Aviva Acquisition Agreement.

The Company has agreed to guarantee the obligations of Capital & Regional Europe Holdings under the Aviva Acquisition Agreement.

##### **Consideration**

The price per Unit payable by the Group is £0.348889. Pursuant to the terms of the Aviva Acquisition Agreement, the Group is required to pay such aggregate amount in cash no later than the next Business Day following Completion.

The consideration will be increased if the performance fee liability of the Mall Fund crystallises at a lower figure than estimated, and £0.012471 per Unit, being the estimated performance fees, will be paid by the Group into an escrow account for the purpose of that adjustment.

Accordingly, the maximum aggregate cash consideration payable by the Group pursuant to the Aviva Acquisition Agreement (including the amount to be paid into escrow) is approximately £177.2 million.

The amounts paid into escrow under the Aviva Acquisition Agreement will be released to the Aviva Sellers to the extent that performance fees which are less than the maximum amount become payable. Except for amounts released in this way to the Aviva Sellers, or if no performance fees become payable by 30 September 2014, all amounts paid into escrow under the Aviva Acquisition Agreement will be released to the Group.

The Aviva Sellers will be entitled to all income distributions from the Mall Unit Trust in respect of the period from 1 April 2014 to Completion (to the extent not already received by the Aviva Sellers by Completion). This entitlement is to be increased by the additional amount of income to which the Aviva Sellers would have been entitled in respect of such period had the swap break costs arising on the termination of the Mall Fund's interest rate swap and additional interest costs arising from settlement of the CMBS before the next interest payment date not been incurred by the Mall Fund. The Group is obliged to pay such amounts (to the extent received) to the Aviva Sellers from distributions received by the Group from the Mall Fund after Completion.

##### **Conditions**

Completion of the Aviva Acquisition Agreement is conditional upon satisfaction or waiver of the following conditions (or satisfaction of the following conditions subject only to Completion):

- a. the passing at the General Meeting of the Resolutions;
- b. the Underwriting Agreement not having been terminated before Admission; and
- c. Admission occurring.

If the conditions have not been satisfied (or, where relevant, waived) by 18 July 2014, the Aviva Acquisition Agreement will be terminated. Completion will take place simultaneously with completion of the Mall GP Acquisition Agreement.

### ***Warranties***

The Aviva Acquisition Agreement contains no warranties given by the Aviva Sellers in favour of Capital & Regional Europe Holdings other than as to the Aviva Sellers' ability to sell the Units being sold, the Aviva Sellers' title to those Units and that the Aviva Sellers' Units are fully paid up.

### ***Undertakings***

The Aviva Sellers have undertaken that as between the date of the Aviva Acquisition Agreement and completion of the transfer of Units pursuant to the Aviva Acquisition Agreement they shall not, without the prior written consent of the Group, carry out certain customary acts in respect of their Units which are listed in the Aviva Acquisition Agreement.

### ***Termination***

The Group has the right to terminate the Aviva Acquisition Agreement by notice to the Aviva Sellers if, prior to completion of the acquisition of the Units pursuant to the Aviva Acquisition Agreement, any of the Aviva Sellers is in breach of any of the warranties or undertakings referred to above. Both the Group and Aviva have the right to terminate the Aviva Acquisition Agreement if prior to completion of the acquisition of the Units pursuant to the Aviva Acquisition Agreement, the Mall GP Acquisition Agreement is terminated.

## **3. Principal terms of the Karoo Acquisition Agreement**

The Karoo Acquisition Agreement was entered into on 20 June 2014 between Karoo, Capital & Regional Europe Holdings, the Company and the Mall Trustee. Pursuant to the terms of the Karoo Acquisition Agreement, Karoo has conditionally agreed to sell 99,069,410 Units to the Group, subject to the terms and conditions of the Karoo Acquisition Agreement. The Company has agreed to guarantee the obligations of Capital & Regional Europe Holdings under the Karoo Acquisition Agreement.

Karoo has irrevocably committed to use all of its cash consideration under the Karoo Acquisition Agreement to subscribe for the Karoo Subscription Shares.

### ***Consideration***

The price per Unit payable by the Group to Karoo is equal to the price per Unit payable pursuant to the Aviva Acquisition Agreement.

Pursuant to the terms of the Karoo Acquisition Agreement, the Group is required to pay such aggregate amount in cash no later than the next Business Day following Completion.

The consideration will be increased if the performance fee liability of the Mall Fund crystallises at a lower figure than estimated, and £0.012471 per Unit, being the estimated performance fees, will be paid by the Group into an escrow account for the purpose of that adjustment.

Accordingly, the maximum aggregate cash consideration payable by the Group pursuant to the Karoo Acquisition Agreement (including the amount to be paid into escrow) is approximately £35.8 million.

The amounts paid into escrow under the Karoo Acquisition Agreement will be released to Karoo to the extent that performance fees which are less than the maximum amount become payable. If no performance fees become payable before 31 December 2015, an estimate of the performance fees will be produced and amounts will be released from escrow to Karoo to the extent that the estimate is less than the maximum liability. Otherwise, the amounts paid into escrow under the Karoo Acquisition Agreement will be released to the Group.

Karoo will be entitled to all income distributions from the Mall Unit Trust in respect of the period from 1 April 2014 to Completion (to the extent not already received by Karoo by Completion). This entitlement is to be increased by the additional amount of income to which Karoo would have been entitled in respect of such period had the swap break costs arising on the termination of the Mall Fund's interest rate swap and additional interest costs arising from settlement of the CMBS before the next interest payment date, not been incurred by the Mall Fund. The Group is obliged to pay such amounts (to the extent required) to Karoo from distributions received by the Group from the Mall Fund after Completion.

### **Conditions**

Completion of the Karoo Acquisition Agreement is conditional upon satisfaction or waiver of the following conditions (or satisfaction of the following conditions subject only to Completion):

- a. the passing at the General Meeting of the Resolutions;
- b. the Underwriting Agreement not having been terminated before Admission;
- c. Admission occurring; and
- d. completion occurring in respect of the Aviva Acquisition Agreement.

If the conditions have not been satisfied by 18 July 2014, the Karoo Acquisition Agreement will be terminated.

### **Warranties**

The Karoo Acquisition Agreement contains no warranties given by Karoo in favour of Capital & Regional Europe Holdings other than as to Karoo's ability to sell the Units being sold, Karoo's title to those Units and that Karoo's Units are fully paid up.

### **Undertakings**

Karoo has undertaken that as between the date of the Karoo Acquisition Agreement and completion of the transfer of Units pursuant to the Karoo Acquisition Agreement it shall not, without the prior written consent of the Group, carry out certain customary acts in respect of their Units which are listed in the Karoo Acquisition Agreement.

### **Termination**

The Group has the right to terminate the Karoo Acquisition Agreement by notice to Karoo if, prior to completion of the acquisition of the Units pursuant to the Karoo Acquisition Agreement, Karoo is in breach of any of the warranties or undertakings referred to above.

## **4. Principal terms of the Mall GP Acquisition Agreement**

On 20 June 2014, Capital & Regional GP and Aviva GP entered into the Mall GP Acquisition Agreement. Under the terms of the Mall GP Acquisition Agreement the Group will acquire from Aviva GP 500 A ordinary shares of £1 in the capital of Mall General Partner (the "**Aviva GP Shares**").

The consideration payable by the Group on completion of the transfer of the Aviva GP Shares pursuant to the Mall GP Acquisition Agreement is £77,712 in cash.

Completion of the Mall GP Acquisition Agreement is conditional upon completion of the Aviva Acquisition Agreement.

Capital & Regional GP is the owner of 500 B ordinary shares of £1 each in the capital of Mall General Partner. Upon completion of the transfer of the Aviva GP Shares pursuant to the Mall GP Acquisition Agreement, Mall General Partner will be a wholly-owned subsidiary of Capital & Regional.

No warranties are given to the Group by Aviva GP under the Mall GP Acquisition Agreement other than warranties as to Aviva's ability to sell the Aviva GP Shares and Aviva GP's title to the Aviva GP Shares.

Aviva GP has undertaken that as between the date of the Mall GP Acquisition Agreement and completion of the transfer of Aviva GP Shares pursuant to the Mall GP Acquisition Agreement it shall not, without the prior written consent of Capital & Regional GP, carry out certain customary acts in respect of the Aviva GP Shares which are listed in the Mall GP Acquisition Agreement.

Capital & Regional GP has the right to terminate the Mall GP Acquisition Agreement by notice to Aviva GP if, prior to completion of the acquisition of the Aviva GP Shares, Aviva GP is in breach of any of the warranties or undertakings referred to above. Both Capital & Regional GP and Aviva GP have the right to terminate the Mall GP Acquisition Agreement if prior to completion of the acquisition of the Aviva GP Shares, the Aviva Acquisition Agreement is terminated.

## **5. Performance fee exposure**

The Acquisition will not itself trigger the payment of a performance fee by the Mall Limited Partnership to the Capital & Regional Property Manager under the terms of the Mall Property

Management Agreement or to Aviva Investors under the terms of the Mall Fund Management Agreement.

On 12 June 2014, Aviva Investors and the Company entered into the Fund Manager Performance Fee Agreement to provide that:

- (a) if the next performance fee payable by the Mall Limited Partnership to Aviva Investors under the Mall Fund Management Agreement is triggered on or before 30 June 2015, it will be capped at £5.9 million (plus VAT); and
- (b) the Company will pay Aviva Investors a sum equal to the amount, if any, by which the next performance fee payable by the Mall Limited Partnership, if triggered on or before 30 June 2015, is less than £5.9 million, together with any VAT chargeable thereon.

The Fund Manager Performance Fee Agreement is conditional upon Admission.

On 12 June 2014, the Capital & Regional Property Manager entered into the Performance Fee Deed of Waiver to provide that if the next performance fee payable by the Mall Limited Partnership to the Capital & Regional Property Manager under the Mall Property Management Agreement is triggered on or before 30 June 2015, it will be capped at £5.9 million (plus VAT).

The Performance Fee Deed of Waiver is conditional upon Admission.

Other than as waived pursuant to the Fund Manager Performance Fee Agreement and the Performance Fee Deed of Waiver, the fees (including performance fees) payable under the Mall Fund Management Agreement and the Mall Property Management Agreement remain payable in accordance with their respective terms. In the event that the performance fees payable under the Mall Fund Management Agreement and the Mall Property Management Agreement are triggered after Completion, the costs of such performance fees will be borne (indirectly) by the Unitholders at the relevant time.

In the event that a liquidity opportunity is provided for the Minority Unitholders following Completion by way of a cash offer by the Group, the acceptance of such offer may trigger the payment of performance fees under the Mall Fund Management Agreement and the Mall Property Management Agreement. As mentioned in Part I (*Letter from the Chairman of Capital & Regional plc*), there can be no guarantee that such liquidity opportunity will be made available by the Group or any certainty as to the exact timing of the same or the triggering of the performance fees as a result.

## **6. Agreement with the Aviva Sellers in relation to fees payable under the Mall Fund Property Management Agreement**

On 20 June 2014, the Aviva Sellers, the Capital & Regional Property Manager and the Company entered into an agreement under which the Capital & Regional Property Manager has agreed to rebate to the Aviva Sellers part of any property management fees received by the Capital & Regional Property Manager under the Mall Property Management Agreement. A rebate is payable by the Capital & Regional Property Manager:

- (a) if a performance fee becomes payable to the Mall Fund Manager and the Capital & Regional Property Manager on or prior to 30 September 2014 and the amount paid to the Aviva Sellers from the escrow account maintained under the Aviva Acquisition Agreement is less than £6.1 million, in which case the amount payable is an amount equal to the deficit; and
- (b) if no performance fees become payable prior to 30 September 2014, in which case the amount payable is £6.1 million.

The operative provisions of the agreement take effect on Completion. The Company has agreed to guarantee the obligations of the Capital & Regional Property Manager under the agreement.



## PART III

### QUESTIONS AND ANSWERS ON THE CAPITAL RAISING

The questions and answers set out in this Part III (*Questions and Answers on the Capital Raising*) of this document are intended to be in general terms only and, as such, you should read Part IV (*Terms and Conditions of the Capital Raising*) of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser, who is authorised under FSMA if you are resident in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

This Part III (*Questions and Answers on the Capital Raising*) deals with general questions relating to the Firm Placing and Placing and Open Offer and more specific questions relating principally to Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part IV (*Terms and Conditions of the Capital Raising*) of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read paragraph 4 of Part IV (*Terms and Conditions of the Capital Raising*) of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Receiving Agent on 0871 384 2959 (from inside the United Kingdom, for which calls are charged at eight pence per minute excluding VAT plus network extras) or +44 121 415 0270 (from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. on any Business Day. Please note that, for legal reasons, the Receiving Agent is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Capital Raising or to provide legal, business, financial, tax or investment or other professional advice.

The contents of this document should not be construed as legal, business, financial, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice.

#### **1. WHAT IS A FIRM PLACING AND PLACING AND OPEN OFFER?**

A placing and open offer is a way for companies to raise money. Companies may do this by giving existing qualifying shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings (an open offer) and providing for new investors to acquire any shares not bought by the company's existing qualifying shareholders (a placing). The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the placing and open offer. Where a placing is described as firm, it means that the shares to be issued to investors under it are not subject to clawback.

#### **2. AM I ELIGIBLE TO PARTICIPATE IN THE FIRM PLACING?**

A firm placing is where specific investors procured by a company's advisers agree to subscribe for placed shares. The Firm Placed Shares do not form part of the Open Offer. Unless you are a Firm Placee, you will not participate in the Firm Placing.

#### **3. WHAT IS THE COMPANY'S OPEN OFFER?**

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire an aggregate of 280,810,699 Open Offer Shares at a price of 47 pence per Open Offer Share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, unless you are a Shareholder with a registered address or located in any of the Excluded Territories where no applicable exemption applies, you will be entitled to acquire Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 53 Open Offer Shares for every 66 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to acquire an Open Offer Share in respect of any fraction of an Open Offer Share and your entitlement will be rounded down to the

nearest whole number. The resulting fractions of Open Offer Shares will be aggregated and sold for the benefit of the Company.

Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a 2.1 per cent. discount to the Closing Price of 48 pence per Ordinary Share as at 19 June 2014 (being the latest practicable date prior to the announcement of the Acquisition and the Capital Raising) and a premium of 0.7 per cent. to one-month VWAP of 46.66 pence per Ordinary Share on 19 June 2014. While the market value of an Ordinary Share exceeds the Offer Price, the right to buy the Open Offer Shares is potentially valuable.

Qualifying Shareholders are also being given the opportunity, provided they take up their Basic Entitlement in full, to apply for Excess Shares through the Excess Application Facility.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Such applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlement in full. Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility determine, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Basic Entitlement (excluding any Open Offer Shares applied for through the Excess Application Facility). Any Open Offer Shares which are not applied for under the Open Offer may be allocated to other Qualifying Shareholders under the Excess Application Facility. To the extent that Open Offer Shares are not taken up under the Open Offer (by way of Qualifying Shareholders' Open Offer Entitlements), then, subject to the terms of the Underwriting Agreement, the Bookrunners have agreed to procure, as agents of the Company, acquirers of such Open Offer Shares at the Offer Price pursuant to the Placing.

The Company has agreed to issue the Karoo Subscription Shares (being 73,540,911 million Open Offer Shares or 26.2 per cent. of the Open Offer Shares) to Karoo at the Offer Price. Karoo has agreed to subscribe for such Karoo Subscription Shares using all of the cash consideration payable by the Group to Karoo at Completion under the terms of the Karoo Acquisition Agreement, on the basis that such Karoo Subscription Shares are not subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer. However, as the Karoo Subscription Shares represent 99.9 per cent. of the number of New Ordinary Shares that certain members of the Parkdev Group have irrevocably undertaken not to apply for under the Open Offer pursuant to the terms of the Parkdev Group Irrevocable Undertaking, the issue of the Karoo Subscription Shares will not dilute the ownership interest of any Shareholder who takes up their Open Offer Entitlement in full.

Unlike in a rights issue, Application Forms are not negotiable instruments and neither they nor the Basic Entitlements or Excess CREST Open Offer Entitlements can themselves be traded.

#### **4. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW IF I AM ABLE TO ACQUIRE OPEN OFFER SHARES UNDER THE OPEN OFFER?**

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address in any of the Excluded Territories, then you should be eligible to acquire Open Offer Shares under the Open Offer, as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 23 June 2014 (the time when the Existing Ordinary Shares are expected to be marked "ex-entitlement" by the London Stock Exchange). Application Forms are to be posted to Qualifying Non-CREST Shareholders on 23 June 2014.

#### **5. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW HOW MANY OPEN OFFER SHARES I AM ENTITLED TO TAKE UP?**

If you hold your Existing Ordinary Shares in certificated form and do not have a registered address in any of the Excluded Territories, you will be sent an Application Form that shows:

- in Box 6, how many Existing Ordinary Shares you held at 5.00 p.m. on 18 June 2014 (the Record Date for the Open Offer);
- in Box 7, how many Open Offer Shares are comprised in your Basic Entitlement;
- in Box 8, how much you need to pay if you want to take up your right to buy all your Basic Entitlement; and
- in Box 9, how many Excess Shares you may apply for under the Excess Application Facility.

If you have a registered address in one of the Excluded Territories, you will not receive an Application Form.

**6. I AM A QUALIFYING SHAREHOLDER WITH A REGISTERED ADDRESS IN THE UK AND I HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. WHAT ARE MY CHOICES IN RELATION TO THE OPEN OFFER AND WHAT SHOULD I DO WITH THE APPLICATION FORM?**

(a) If you want to take up all of, but not more than, your Basic Entitlement

If you want to take up all of the Open Offer Shares to which you are entitled pursuant to your Basic Entitlement as set out in Box 7, all you need to do is sign and send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 8 of your Application Form), payable to "Equiniti Limited re: Capital & Regional Open Offer" and crossed "A/C payee only", in the reply-paid envelope provided, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 11.00 a.m. on 8 July 2014, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Application Form. You should allow at least four business days for delivery if using first-class post within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part IV (*Terms and Conditions of the Capital Raising*) of this document and will be set out in the Application Form.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you on or around 21 July 2014.

(b) If you want to take up some but not all of your Basic Entitlement

If you want to take up some but not all of the Open Offer Shares to which you are entitled pursuant to your Basic Entitlement, you should write the number of Open Offer Shares you want to take up in Box 2 of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 25 shares, then you should write '25' in Box 2.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example '25') by 47 pence, which is the price in pence of each Open Offer Share (giving you an amount of £11.75 in this example). You should write this amount in Box 5, rounding down to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return your Application Form together with your cheque or banker's draft for that amount, payable to "Equiniti Limited re: Capital & Regional Open Offer" and crossed "A/C payee only", in the reply-paid envelope provided, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 11.00 a.m. on 8 July 2014, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Application Form. You should allow at least four business days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part IV (*Terms and Conditions of the Capital Raising*) of this document and will be set out in the Application Form.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you on or around 21 July 2014.

(c) If you do not want to or are not entitled to take up your Basic Entitlement

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form or your Basic Entitlement to anyone else.

If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 8 July 2014, we have made arrangements under which the Bookrunners, as agents of the Company, will try to find investors to take up your entitlements and the entitlements of others who have not taken them up.

If you do not or are not entitled to take up your Basic Entitlement then following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be diluted by approximately 50.1 per cent. If you do take up your Basic Entitlement in full, your interest in the Company will be diluted by approximately 10.0 per cent. as a result of the Firm Placing.

(d) If you want to take up more than your Basic Entitlement

Provided that you have agreed to take up your Basic Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. You should write the number of Open Offer Shares that you wish to take up in Box 2 which must be the number of Open Offer Shares shown in Box 7. You should then write the number of Open Offer Shares you wish to apply for under the Excess Application Facility in Box 3 (which should be no greater than the number of Excess Shares in Box 9) and then complete Box 4 by adding together the numbers you have entered in Boxes 2 and 3. For example, if you are entitled to take up 50 shares under your Basic Entitlement and 25 shares under the Excess Application Facility and you wish to take up a further 25 shares under the Excess Application Facility, then you should write '50' in Box 2, '25' in Box 3 and '75' (being the total of Box 2 and Box 3) in Box 4.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example '75') by 47 pence, which is the price in pence of each Open Offer Share (giving you an amount of £35.25 in this example). You should write this amount in Box 5, rounding down to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return your Application Form together with your cheque or banker's draft for that amount, payable to "Equiniti Limited re: Capital & Regional Open Offer" and crossed "A/C payee only", in the reply-paid envelope provided, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 11.00 a.m. on 8 July 2014, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Application Form. You should allow at least four business days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part IV (*Terms and Conditions of the Capital Raising*) of this document and will be set out in the Application Form.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you on or around 21 July 2014.

If applications made under the Excess Application Facility are received for more than the total number of Open Offer Shares available following the take up of Basic Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Therefore, applications under the Excess Application Facility may not be satisfied in full. In this event, Qualifying Shareholders will receive a sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, the relevant Qualifying Shareholder, multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.



**7. I HOLD MY EXISTING ORDINARY SHARES IN UNCERTIFICATED FORM IN CREST. WHAT DO I NEED TO DO IN RELATION TO THE OPEN OFFER?**

CREST members should follow the instructions set out in paragraph 4.2 of Part IV (*Terms and Conditions of the Capital Raising*) of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by such CREST member of the number of Open Offer Shares they are entitled to take up or apply for under their Basic Entitlement and Excess CREST Open Offer Entitlement, and should contact their CREST member should they not receive this information.

**8. I ACQUIRED MY EXISTING ORDINARY SHARES PRIOR TO THE RECORD DATE AND HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT IF I DO NOT RECEIVE AN APPLICATION FORM OR I HAVE LOST MY APPLICATION FORM?**

If you do not receive an Application Form but hold your Existing Ordinary Shares in certificated form, this probably means that you are not able to acquire Open Offer Shares under the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to acquire Open Offer Shares under the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 18 June 2014 and who have converted them to certificated form prior to 4.30 p.m. on 2 July 2014;
- Shareholders who bought Existing Ordinary Shares before 23 June 2014 and who hold such Existing Ordinary Shares in certificated form but were not registered as the holders of those Shares at the close of business on 18 June 2014; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Shareholder Helpline on 0871 384 2959 (from inside the United Kingdom, for which calls are charged at eight pence per minute excluding VAT plus network extras), or +44 121 415 0270 (from outside the United Kingdom). Lines are open between 8.30 a.m. and 5.30 p.m. on any business day. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to the Company's register of members) and will be unable to give advice on the merits of the Capital Raising or to provide legal, business, financial, tax, investment or other professional advice.

**9. IF I BUY ORDINARY SHARES AFTER THE RECORD DATE WILL I BE ELIGIBLE TO PARTICIPATE IN THE OPEN OFFER?**

If you bought Ordinary Shares after the Record Date you are unlikely to be able to participate in the Open Offer, as the Existing Ordinary Shares will start trading ex-entitlement on the London Stock Exchange at 8.00 a.m. on 23 June 2014.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Ordinary Shares at or after 8.00 a.m. on 23 June 2014, you will not be eligible to participate in the Open Offer in respect of those Ordinary Shares.

**10. I AM A QUALIFYING SHAREHOLDER, DO I HAVE TO APPLY FOR ALL THE OPEN OFFER SHARES I AM ENTITLED TO APPLY FOR?**

You can take up any number of the Open Offer Shares allocated to you under your Basic Entitlement. Your Basic Entitlement is detailed in Box 7 on the Application Form. Any applications by a Qualifying Shareholder for a number of Open Offer Shares which is equal to or less than that person's Basic Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the Open Offer Shares comprised in your Basic Entitlement, then your proportion of the ownership and voting interest in the Company will be reduced. Please refer to answers (b) and (c) of Question 6 for further information.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Basic Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), and

the Basic Entitlements and their Excess CREST Open Offer Entitlements will not be tradable or listed, and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Basic Entitlements and their Excess CREST Open Offer Entitlement will have neither rights under the Open Offer nor receive any proceeds from it. Any Open Offer Shares for which application has not been made in respect of the Open Offer will be acquired by those Placees who participate in the Placing.

#### **11. WHAT IF I CHANGE MY MIND?**

Once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares you have applied for, except in the very limited circumstances which are set out in paragraph 4.3 of Part IV (*Terms and Conditions of the Capital Raising*) of this document.

#### **12. WHAT IF THE NUMBER OF OPEN OFFER SHARES TO WHICH I AM ENTITLED IS NOT A WHOLE NUMBER: AM I ENTITLED TO FRACTIONS OF OPEN OFFER SHARES?**

Your entitlement to Open Offer Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number. The resulting fractions of Open Offer Shares will be aggregated and sold for the benefit of the Company.

#### **13. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT SHOULD I DO IF I WANT TO SPEND MORE OR LESS THAN THE AMOUNT SET OUT IN BOX 8 OF THE APPLICATION FORM?**

If you want to spend less than the amount set out in Box 8, you should divide the amount you want to spend by 47 pence (being the price, in pence, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £100 (being less than the amount set out in Box 8) you should divide £100 by 0.47. You should round that down to the nearest whole number (in this example, 212), to give you the number of shares you want to take up. Write that number (in this example, 212) in Box 4. To then get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (in this example 212) by 47 pence and then fill in that amount rounded down to the nearest whole pence (in this example being, rounded down to the nearest whole pence, £99.64) in Box 5 and on your cheque or banker's draft accordingly.

Under the Excess Application Facility, provided that you are a Qualifying Non-CREST Shareholder and you have agreed to take up your Basic Entitlement in full, you may apply for more than the amount of your Basic Entitlement should you wish to do so. Application can be made for Excess Shares through the Excess Application Facility. Details of the action you should take are set out in the answer to question 6 of this Part III (*Questions and Answers on the Capital Raising*).

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take up of Basic Entitlements. If applications are received for more than the number of available Open Offer Shares, applications made under the Excess Application Facility will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. If every Qualifying Shareholder takes up their Basic Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility. Qualifying Non-CREST Shareholders whose applications under the Excess Application Facility are scaled back will receive a sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, them, multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

#### **14. WHAT IF I HOLD OPTIONS AND AWARDS UNDER THE CAPITAL & REGIONAL EMPLOYEE SHARE PLANS?**

The Company may adjust options and awards under the Capital & Regional Employee Share Plans in accordance with the rules of those plans to take account of the New Ordinary Shares issued



pursuant to the Capital Raising. Any adjustments to options granted under the SAYE Scheme will be subject to approval by HMRC. Shareholder approval is not required for any adjustments. Participants will be contacted separately with further information if adjustments are made.

**15. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT SHOULD I DO IF I HAVE SOLD SOME OR ALL OF MY EXISTING ORDINARY SHARES?**

If you held shares in the Company directly and you have sold some or all of your Existing Ordinary Shares before or on 23 June 2014, you should contact the buyer or the person/company through whom you sold your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer.

If you sell any of your Existing Ordinary Shares on or after 23 June 2014, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

**16. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I PAY?**

You should return your Application Form with a cheque or banker's draft drawn in pounds sterling on a UK bank or building society account in the reply-paid envelope enclosed (from within the United Kingdom). You should allow at least four business days for delivery if using first-class post within the United Kingdom. Cheques should be drawn on a personal account of the Qualifying Shareholder who is applying for the Open Offer Shares or you may be required to supply additional documentation to satisfy money laundering requirements. The funds should be made payable to "Equiniti Limited re: Capital & Regional Open Offer". In each case, the cheque should be crossed "A/C Payee only". Payments via CHAPS, BACS or electronic transfer will not be accepted.

**17. WILL THE EXISTING ORDINARY SHARES THAT I HOLD NOW BE AFFECTED BY THE OPEN OFFER?**

Your proportionate ownership and voting interest in the Company will be reduced as a result of the Firm Placing. If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced further.

**18. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHERE DO I SEND MY APPLICATION FORM?**

You should send your completed Application Form and monies by post in the enclosed reply-paid envelope (from within the United Kingdom) by post or by hand (during normal business hours only) to: Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. You should allow at least four business days for delivery if using first-class post within the United Kingdom.

If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**19. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHEN DO I HAVE TO DECIDE IF I WANT TO APPLY FOR OPEN OFFER SHARES?**

The Receiving Agent must receive your completed Application Form and cheque or banker's draft by 11.00 a.m. on 8 July 2014. You should allow at least four business days for delivery if using first-class post or the reply-paid envelope included with the Application Form within the United Kingdom.

**20. I HOLD MY SHARES IN CERTIFICATED FORM. IF I TAKE UP MY ENTITLEMENTS, WHEN WILL I RECEIVE THE CERTIFICATE REPRESENTING MY OPEN OFFER SHARES?**

It is expected that the Receiving Agent will post all new share certificates on or around 21 July 2014.

**21. WHAT SHOULD I DO IF I THINK MY HOLDING OF EXISTING ORDINARY SHARES (AS SHOWN IN BOX 6 ON PAGE 1 OF THE APPLICATION FORM) IS INCORRECT?**

If you have bought or sold Existing Ordinary Shares shortly before the Record Date, your transaction may not be entered on the register of members before the Record Date for the Open Offer. If you have bought Existing Ordinary Shares before 23 June 2014 but were not registered as the holder of those shares on the Record Date for the Open Offer (18 June 2014), you may still

be eligible to participate in the Open Offer. If you are in any doubt, please contact your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to Open Offer Entitlements in respect of any Existing Ordinary Shares acquired on or after 23 June 2014.

Otherwise, if you are concerned about the figure in Box 6, please call the Shareholder Helpline on 0871 384 2959 (from inside the United Kingdom, for which calls are charged at eight pence per minute excluding VAT plus network extras), or +44 121 415 0270 (from outside the UK).

## **22. WILL I BE TAXED IF I TAKE UP MY ENTITLEMENTS?**

Information on taxation in the United Kingdom with regard to the Placing and Open Offer is set out in Part XV (*United Kingdom Taxation*) of this document. This information is intended to be only a general guide to the current tax position in the United Kingdom and Shareholders who are in any doubt as to their tax position or who may be subject to tax in any other jurisdiction are strongly advised to consult an appropriate professional adviser immediately.

## **23. WHAT SHOULD I DO IF I LIVE OUTSIDE THE UNITED KINGDOM?**

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses in any of the Excluded Territories are not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part IV (*Terms and Conditions of the Capital Raising*) of this document.

The Company has made arrangements under which the Bookrunners, as agents of the Company, will try to find investors to take up your entitlements and those of other Shareholders who have not taken up their entitlements. You will not receive any money when these Open Offer Shares are sold.

## **24. HOW DO I TRANSFER MY ENTITLEMENTS INTO THE CREST SYSTEM?**

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST Deposit Form (Box 14 on page 4 of the Application Form), and ensure they are delivered to CCSS to be received by 3.00 p.m. on 3 July 2014 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 4.2 of Part IV (*Terms and Conditions of the Capital Raising*) of this document for details on how to pay for the Open Offer Shares.

## **25. DO I NEED TO COMPLY WITH THE MONEY LAUNDERING REGULATIONS (AS SET OUT IN PARAGRAPH 5 OF PART IV (TERMS AND CONDITIONS OF THE CAPITAL RAISING) OF THIS DOCUMENT)?**

If you are a Qualifying Non-CREST Shareholder, you do not need to follow these procedures if the value of the Open Offer Shares you are acquiring is less than Euro 15,000 (or the Sterling equivalent) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or United Kingdom regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Open Offer Entitlements as agent for one or more persons and you are not an EU or United Kingdom regulated financial institution.

Qualifying Non-CREST Shareholders should refer to paragraph 5.1 of Part IV (*Terms and Conditions of the Capital Raising*) of this document and Qualifying CREST Shareholders should refer to paragraph 5.2 of Part IV (*Terms and Conditions of the Capital Raising*) of this document for a fuller description of the requirements of the Money Laundering Regulations.

## **26. FURTHER ASSISTANCE**

Should you require further assistance please call the Receiving Agent on 0871 384 2959 (from inside the United Kingdom, for which calls are charged at eight pence per minute excluding VAT

plus network extras), or +44 121 415 0270 (from outside the United Kingdom). Lines are open between the hours of 8.30 a.m. and 5.30 p.m. on any business day. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document or the Company's register of members and is unable to give advice on the merits of the Placing and Capital Raising or to provide legal, business, financial, tax, investment or other professional advice.

## PART IV

### TERMS AND CONDITIONS OF THE CAPITAL RAISING

#### 1. INTRODUCTION

As explained in Part I (*Letter From the Chairman of Capital & Regional plc*) of this document, the Company is proposing to issue 351,063,830 million New Ordinary Shares to raise approximately £161.1 million (net of costs and expenses of the Capital Raising), subject, among other things, to the passing of the Resolutions, by the issue of the Firm Placed Shares and the Open Offer Shares pursuant to the Capital Raising. Upon completion of the Capital Raising, the New Ordinary Shares will represent approximately 100.4 per cent. of the existing issued ordinary share capital of the Company and approximately 50.1 per cent. of the enlarged issued ordinary share capital of the Company immediately following completion of the Capital Raising.

#### The Firm Placing

The Bookrunners, as agents for the Company, have made arrangements to place the Firm Placed Shares (being 70,253,131 New Ordinary Shares or 20.0 per cent. of the Capital Raising) firm with Placees at the Offer Price. The Firm Placing is expected to raise approximately £33.0 million. The Firm Placed Shares are not subject to clawback and therefore do not form part of the Open Offer.

#### The Placing and Open Offer

The Open Offer is an opportunity for Qualifying Shareholders to acquire Open Offer Shares (being in aggregate 280,810,699 New Ordinary Shares or 80.0 per cent. of the Capital Raising) *pro rata* to their current holdings, by both subscribing for their respective Basic Entitlements and by subscribing for Excess Shares under the Excess Application Facility, subject to availability, at the Offer Price in accordance with the terms of the Open Offer. The Open Offer is expected to raise approximately £132.0 million. Pursuant to the Underwriting Agreement, the Bookrunners, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares (other than the Open Offer Shares constituting the Karoo Subscription Shares) with institutional investors at the Offer Price, subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer.

The Company has agreed to issue the Karoo Subscription Shares (being 73,540,911 Open Offer Shares or 26.2 per cent. of the Open Offer Shares) to Karoo at the Offer Price. Karoo has agreed to subscribe for such Karoo Subscription Shares using all of the cash consideration payable by the Group to Karoo at Completion under the terms of the Karoo Acquisition Agreement. The issue of the Karoo Subscription Shares is not subject to clawback in respect of valid applications being made by Qualifying Shareholders under the Open Offer.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 5.00 p.m. on 18 June 2014. Application Forms for Qualifying Non-CREST Shareholders are expected to be posted to Qualifying Non-CREST Shareholders on 23 June 2014 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST as soon as possible after 8.00 a.m. on 24 June 2014. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 8 July 2014 with Admission expected to take place at 8.00 a.m. on 14 July 2014.

The Firm Placing and the Placing and Open Offer are inter-conditional and conditional, among other things, on the approval of Shareholders, which will be sought at a General Meeting convened for 2.00 p.m. on 9 July 2014.

Participation in the Firm Placing does not prevent Firm Placees from acquiring Open Offer Shares, providing that such Firm Placee is a Qualifying Shareholder. Open Offer Entitlements attach only to Existing Ordinary Shares held by Qualifying Shareholders, as at the Record Date (being 18 June 2014) and not to the New Ordinary Shares.

The Offer Price will be at a discount of 2.1 per cent. to the Closing Price of 48 pence per Ordinary Share as at 19 June 2014 (being the latest practicable date prior to the announcement of the Acquisition and the Capital Raising).

The Capital Raising is fully underwritten by the Bookrunners pursuant to the Underwriting Agreement, other than in relation to Karoo's subscription for the Karoo Subscription Shares. The

principal terms of the Underwriting Agreement which was entered into on 20 June 2014 are summarised in paragraph 16 of Part XVI (*Additional Information*) of this document.

The Open Offer Shares and the Firm Placed Shares will, when issued and fully paid, rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue. The Company may fix a date as the record date by reference to which a dividend will be declared or paid.

Application will be made to the UK Listing Authority and the London Stock Exchange for the Open Offer Shares and the Firm Placed Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the Open Offer Shares and the Firm Placed Shares will commence on the London Stock Exchange at 8.00 a.m. on 14 July 2014.

This document and, for Qualifying Non-CREST Shareholders, the Application Form, contain the formal terms and conditions of the Capital Raising. Your attention is drawn to paragraph 4 of this Part IV (*Terms and Conditions of the Capital Raising*) which gives details of the procedure for application and payment for the Open Offer Shares. The attention of Overseas Shareholders is drawn to paragraph 6 of this Part IV (*Terms and Conditions of the Capital Raising*).

## **2. THE OPEN OFFER**

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Open Offer Shares (subject to the limit on the number of Excess Shares that can be applied for using the Excess Application Facility) at the Offer Price (payable in full on application and free of all expenses) and will have a Basic Entitlement of:

### **53 Open Offer Shares for every 66 Existing Ordinary Shares**

registered in the name of each Qualifying Shareholder at the close of business on the Record Date and so in proportion for any other number of Existing Ordinary Shares then registered. Applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlements.

Basic Entitlements will be rounded down to the nearest whole number and fractional entitlements will not be offered to persons pursuant to the Open Offer but will be aggregated and placed ultimately for the benefit of the Company. Accordingly, Qualifying Shareholders with fewer than 66 Existing Ordinary Shares will not receive a Basic Entitlement and will not be permitted to apply for Excess Shares under the Excess Application Facility.

Qualifying Shareholders may apply to acquire less than their Basic Entitlement should they so wish. In addition, Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility, up to a maximum of 13 Excess Shares for every 66 Existing Ordinary Shares held by them at the Record Date. Please refer to paragraphs 4.1(c) and 4.2(c) of this Part IV (*Terms and Conditions of the Capital Raising*) for further details of the Excess Application Facility.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Basic Entitlements, as will holdings under different designations and in different accounts.

Qualifying Shareholders may apply for any number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to below.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 6), the maximum number of Open Offer Shares for which you are entitled to apply for pursuant to your Basic Entitlement (in Box 7) and the maximum number of Excess Shares you are entitled to apply for pursuant to the Excess Application Facility (in Box 9).

In the case of Qualifying CREST Shareholders, the Basic Entitlement is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST. Qualifying CREST Shareholders will have their Basic Entitlements credited to their stock accounts in CREST and should refer to paragraph 4.2 of this Part IV (*Terms and Conditions of the Capital Raising*) and also to the CREST Manual for further information on the relevant CREST procedures.

The Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Excess Shares in excess of their Basic Entitlement, up to a maximum of 13 Excess Shares for



every 66 Existing Ordinary Shares held by them at the Record Date. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete Boxes 3, 4 and 5 on the Application Form. Applications under the Excess Application Facility may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all.

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. A Qualifying Shareholder that takes up its Basic Entitlement in full will be diluted by 10.0 per cent. as result of the Capital Raising. A Qualifying Shareholder that does not take up any of his Basic Entitlement (and does not take up any Excess Shares under the Excess Application Facility) will suffer a more substantial dilution of 50.1 per cent. as a result of the Capital Raising. Qualifying CREST Shareholders should note that, although their Basic Entitlement and Excess CREST Open Offer Entitlements will be credited to their CREST accounts, they will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares which are not taken up under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Open Offer Shares will have neither rights under the Open Offer nor receive any proceeds from it. If valid acceptances are not received in respect of all of the Open Offer Shares under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility or will be subscribed for by certain investors pursuant to the Placing and the net proceeds will be retained for the benefit of the Company.**

Application will be made for the Basic Entitlements and Excess CREST Open Offer Entitlements to be credited to Qualifying CREST Shareholders' CREST accounts. The Basic Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts as soon as possible after 8.00 a.m. on 24 June 2014.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application is required for the Open Offer Shares to be admitted to CREST. All Open Offer Shares, when issued and fully paid, may be held and transferred by means of CREST.

The Open Offer Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares will not be made available in whole or in part to the public except under the terms of the Open Offer.

Qualifying Shareholders who apply for Open Offer Shares under the Open Offer will, subject to the Company's ability to pay a dividend, and provided the Directors consider it appropriate to declare a dividend, receive dividends on the Open Offer Shares in the same manner as they receive dividends on their Existing Ordinary Shares.

If the Directors consider it appropriate in the circumstances, options and awards under the Capital & Regional Share Plans may be adjusted to take account of the Open Offer. If this is the case, participants will be contacted separately.

### **3. CONDITIONS AND FURTHER TERMS OF THE OPEN OFFER**

The Open Offer is conditional on the Underwriting Agreement becoming unconditional in all respects. The Underwriting Agreement is conditional, amongst other things, on:

- (a) the passing of the Resolutions (without material amendment) at the General Meeting (and not, except with the prior written agreement of the Bookrunners, at any adjournment of such meeting);
- (b) Admission occurring not later than 8.00 a.m. on 18 July 2014;
- (c) the conditions to the Aviva Acquisition Agreement and the Karoo Acquisition Agreement (save for any condition relating to Admission) having been satisfied at, and remaining in full force and effect at, and such agreements not having been terminated in accordance with their respective terms prior to Admission;



- (d) the conditions to drawing down under the 2014 Amended and Restated Revolving Credit Facility (save for any condition relating to the delivery of a draw down notice and the provision of security in relation to the Units and various related documentation) having been satisfied at, and remaining in full force and effect at, and such agreement not having been terminated in accordance with its terms prior to Admission; and
- (e) the Company having performed all of its obligations under the Underwriting Agreement which are to be performed on the date of the Underwriting Agreement or otherwise prior to Admission.

Certain of the conditions to the Underwriting Agreement may be waived by the Bookrunners at their sole discretion.

Accordingly, if these and the other conditions to the Open Offer are not satisfied or waived (where capable of waiver), the Capital Raising will be terminated and will not proceed and any applications made by Qualifying Shareholders will be rejected. In these circumstances, application monies received by the Receiving Agent in respect of Open Offer Shares will be returned (at the applicant's sole risk), without payment of interest, as soon as reasonably practicable thereafter. Please see paragraph 16 of Part XVI (*Additional Information*) of this document for a summary of the material terms of the Underwriting Agreement. Termination cannot occur after dealings in the Open Offer Shares have begun.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form on or around 21 July 2014. In respect of those Qualifying Shareholders who validly elect to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by 8.00 a.m. on 14 July 2014.

All monies received by the Receiving Agent in respect of Open Offer Shares will be placed on deposit in a non-interest bearing account by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement via a Regulatory Information Service giving details of the revised dates.

#### **4. PROCEDURE FOR APPLICATION AND PAYMENT**

The action to be taken by a Qualifying Shareholder in respect of the Open Offer depends on whether, at the relevant time, such Qualifying Shareholder has received an Application Form in respect of his or her entitlement under the Open Offer or has had Basic Entitlements and Excess CREST Open Offer Entitlement credited to his or her CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form on the Record Date will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form on the Record Date will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2(e) of this Part IV (*Terms and Conditions of the Capital Raising*).

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Basic Entitlements and Excess CREST Open Offer Entitlement in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

##### **4.1 If you have an Application Form in respect of your entitlement under the Open Offer**

###### **(a) General**

Subject as provided in paragraph 6 of this Part IV (*Terms and Conditions of the Capital Raising*) in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application

Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 6. It also shows the number of Open Offer Shares which represents their Basic Entitlement under the Open Offer, as shown by the total number of Basic Entitlements allocated to them set out in Box 7. Box 8 shows how much they would need to pay if they wish to take up their Basic Entitlement in full. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlements and will be aggregated and sold for the benefit of the Company. Any Qualifying Non-CREST Shareholders with fewer than 66 Existing Ordinary Shares will not receive a Basic Entitlement and will not be permitted to apply for Excess Shares under the Excess Application Facility. Qualifying Non-CREST Shareholders may apply for less than their Basic Entitlement should they wish to do so. Qualifying Shareholders wishing to apply for Open Offer Shares representing less than their Basic Entitlement may do so by completing Boxes 2 and 5 of the Application Form. Qualifying Non-CREST Shareholders who have taken up their Basic Entitlement in full may also apply for Excess Shares under the Excess Application Facility, up to a maximum of 13 Excess Shares for every 66 Existing Ordinary Shares held by them at the Record Date by completing Boxes 3, 4 and 5 of the Application Form. The maximum number of Excess Shares a Qualifying Non-CREST Shareholder is entitled to apply for pursuant to the Excess Application Facility is shown in Box 9. The Application Form also sets out instructions regarding acceptance and payout, consolidation splitting and registration renunciation. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

**(b) *Bona fide market claims***

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to 8.00 a.m. on 23 June 2014, being the date upon which the Existing Ordinary Shares will be marked "ex" the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except prior to 3.00 p.m. on 4 July 2014 to satisfy *bona fide* market claims. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his or her holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares are marked "ex" the entitlement to participate in the Open Offer, which is 8.00 a.m. on 23 June 2014, should consult his or her broker or under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold or otherwise transferred all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 11 of the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee or directly to the purchaser or transferee, if known. The Application Form should not, however, be forwarded to or transmitted in or into any of the Excluded Territories. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should refer to the procedures set out in paragraphs 4.2(b) and 4.2(g) (as applicable) below.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their Existing Ordinary Shares shown in Box 6 of the Application Form prior to 23 June 2014 should, if the market claim is to be settled outside CREST, complete Box 11 on the Application Form and immediately deliver the Application Form, together with a letter stating the number of Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees), the total number of Existing Ordinary Shares to be included in each Application Form (the aggregate of which must equal the number shown in Box 6) and the Basic Entitlement to be included in each Application Form (the aggregate of which must equal the number shown in Box 7) and details of the stockbroker, bank or other agent through whom any sale or transfer was effected (or details of the purchaser or transferee, if known) to the Receiving Agent, by post or by hand (during normal business hours only) to Equiniti Limited Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The Receiving Agent will then create new Application Forms, mark the Application Forms "Declaration of sale or transfer

duly made” and send them by post to the Qualifying Non-CREST Shareholders submitting the original Application Form.

**(c) Excess Application Facility**

Qualifying Shareholders who have taken up their Basic Entitlement in full may apply to acquire Excess Shares using the Excess Application Facility, should they wish. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares, up to a maximum of 13 Excess Shares for every 66 Existing Ordinary Shares held by them at the Record Date, may do so by completing Boxes 3, 4 and 5 of the Application Form. The maximum number of Excess Shares a Qualifying Non-CREST Shareholder is entitled to apply for pursuant to the Excess Application Facility is shown in Box 9. However, the total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Applications Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available for sale for the benefit of the Company. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

**(d) Application procedures**

Qualifying Non-CREST Shareholders wishing to apply to acquire Open Offer Shares in respect of all or part of their Open Offer Entitlement should complete the Application Form in accordance with the instructions printed on it. Completed Application Forms should be returned to the Receiving Agent, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received by the Receiving Agent by no later than 11.00 a.m. on 8 July 2014, after which time, subject to the limited exceptions below, Application Forms will not be valid. Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided. Within the United Kingdom, Qualifying Non-CREST Shareholders can use the reply-paid envelope accompanying the Application Form. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK or using the reply-paid envelope included with the Application Form in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four business days for delivery.

Completed Application Forms should be returned with a cheque or banker’s draft drawn in pounds sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through facilities provided by any of those companies. Such cheques or banker’s drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Cheques should be drawn on a personal account in respect of which the Qualifying Non-CREST Shareholder has sole or joint title to the funds and should be made payable to “Equiniti Limited re: Capital & Regional Open Offer” and crossed “A/C Payee only”. Third party cheques (other than building society cheques or banker’s drafts where the building society or bank has confirmed that the relevant Qualifying Non-CREST Shareholder has title to the underlying funds) will be subject to the Money Laundering Regulations which would delay or prevent Qualifying Non-CREST Shareholders receiving their Open Offer Shares (please see paragraph 5 below). All documents and cheques sent through the post by the Qualifying Non-CREST Shareholder will be sent at their own risk and any cheques not received by the Receiving Agent will need to be re-issued and re-sent by the Qualifying Non-CREST Shareholder. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker’s drafts will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker’s drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Non-CREST Shareholders in respect of which cheques are not so honoured. Should such cheques or banker’s drafts not be so honoured, the Company may undertake any action to recover the value of the application and any costs associated with such recovery (including the forfeiture and sale of any Open Offer Shares

allotted pursuant to such an application). If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account, with interest, if any, being retained for the Company until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as reasonably practicable following the lapse of the Open Offer.

Subject to the provisions of the Underwriting Agreement, the Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Capital Raising. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 8 July 2014; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 8 July 2014 from authorised persons (as defined in the FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two business days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of Qualifying Non-CREST Shareholder, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares. None of the Receiving Agent or any of the Bookrunners or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

**(e) *Effect of application***

By completing and delivering an Application Form, the applicant:

- (i) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that he or she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his or her rights and perform his or her obligations under any contracts resulting therefrom and that he or she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and each of the Bookrunners that all applications under the Open Offer and contracts resulting therefrom shall be governed by and construed in accordance with the laws of England;
- (iii) confirms to the Company and each of the Bookrunners that in making the application he or she is not relying on (and irrevocably waives any right he or she may have in respect of) any information or representation in relation to the Group other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he or she will be deemed to have had notice of all information in relation to the Group contained in this document (including information incorporated by reference);
- (iv) confirms to the Company and each of the Bookrunners that in making the application he or she is not relying and has not relied on the Bookrunners or any person affiliated with any of the Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his or her investment decision;
- (v) confirms to the Company and each of the Bookrunners that no person other than the Company has been authorised to give any information or to make any representation concerning the Company, or its subsidiaries, or the Open Offer Shares (other than as



contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Bookrunners;

- (vi) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he or she received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that if he or she has received some or all of his or her Open Offer Entitlements from a person other than the Company he or she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) requests that the Open Offer Shares to which he or she will become entitled be issued to him on the terms set out in this document and the Application Form subject to the Articles;
- (ix) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that he or she is not, nor is he or she applying on behalf of any person who is, a US Person or a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of, any of the Excluded Territories or any jurisdiction in which the application for Open Offer Shares by such person is prevented by law and he or she is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his or her application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of, or any of the Excluded Territories or any jurisdiction in which the application for Open Offer Shares by such person is prevented by law (except where proof satisfactory to the Company has been provided that he or she is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (x) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that he or she is not, and nor is he or she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986 (a “**Specified Person**”) and that if any stamp duty, stamp duty reserve tax, or any other transfer, issuance tax or related interest and penalties (“**Stamp Tax**”) arises in connection with his or her acquisition of the Open Offer Shares or any subsequent transfer by him, or his or her agent, of such shares to a Specified Person or a nominee or agent for such person, he or she agrees that he or she will pay and bear, or procure the payment of, the cost of such Stamp Tax.

**All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent, Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (telephone 0871 384 2959 from within the UK, for which calls are charged at eight pence per minute excluding VAT plus network extras) (telephone +44 121 415 0270 if calling from overseas). Please note that the Receiving Agent cannot provide financial advice on the merits of the Capital Raising or as to whether applicants should take up their Open Offer Entitlements.**

For information on how to deposit an Open Offer Entitlement in whole or in part into CREST, please see paragraph 4.2(f) below.

**Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.**

#### **4.2 If you have Basic Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer**

##### **(a) General**

Subject as provided in paragraph 6 of this Part IV (*Terms and Conditions of the Capital Raising*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit

to his or her stock account in CREST of his or her Open Offer Entitlement equal to the number of Open Offer Shares which represents his Basic Entitlement and his Excess CREST Open Offer Entitlement. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlement and will be aggregated and made available for sale for the benefit of the Company. Any Qualifying CREST Shareholders with fewer than 66 Existing Ordinary Shares will not receive a Basic Entitlement and will not be permitted to apply for Excess Shares under the Excess Application Facility.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Basic Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 24 June 2014, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his or her stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders who have received Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

**Qualifying CREST Shareholders who wish to apply to acquire some or all of their *pro rata* entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Receiving Agent on telephone number 0871 384 2959 (if calling from within the United Kingdom, for which calls are charged at eight pence per minute excluding VAT and network extras), or +44 121 415 0270 (if calling from overseas) between the hours of 8.30 a.m. and 5.30 p.m. on any business day. Please note that the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up and apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.**

**(b) *Bona fide market claims***

Each of the Basic Entitlements and Excess CREST Open Offer Entitlements will have a separate ISIN and constitute a separate security for CREST purposes. Although Basic Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Basic Entitlements and Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

**(c) *Excess Application Facility***

Qualifying Shareholders who have taken up their Basic Entitlement in full may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The Excess Application Facility enables Qualifying CREST Shareholders to apply for Excess Shares in excess of their Basic Entitlement up to a maximum of 13 Excess Shares for every 66 Existing Ordinary Shares held by them at the Record Date.

An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part IV (*Terms and Conditions of the Capital Raising*) in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Basic Entitlements nor the Excess



CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 4.2(f) of this Part IV (*Terms and Conditions of the Capital Raising*) below.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement and the relevant Basic Entitlement be transferred, the relevant Excess CREST Open Offer Entitlements will not transfer with the Basic Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the relevant purchaser(s). Please note that a separate USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available for sale for the benefit of the Company. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

All enquiries in connection with the procedure for application of the Excess CREST Open Offer Entitlements should be made to the Receiving Agent on the shareholder helpline telephone number 0871 384 2959 (if calling from within the United Kingdom, for which calls are charged at eight pence per minute excluding VAT and network extras), or +44 121 415 0270 (if calling from overseas) between the hours of 8.30 a.m. and 5.30 p.m. on any business day. Please note the Receiving Agent cannot provide financial advice on the merits of the Capital Raising or as to whether applicants should take up their entitlement or apply for Excess Shares.

**(d) USE instructions**

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Basic Entitlements and Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“**USE**”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

**(e) Content of USE instruction in respect of Basic Entitlements**

The USE instruction must be properly authenticated in accordance with Euroclear UK’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Basic Entitlement. This is GB00BLSP5L95;

- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 6RA47;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is RA167801;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 8 July 2014;
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 8 July 2014.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 8 July 2014 in order to be valid is 11.00 a.m. on that day.

**(f) *Content of USE instruction in respect of Excess CREST Open Offer Entitlements***

The USE instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BMM21W68;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 2RA20;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is RA167802;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 8 July 2014;
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 8 July 2014.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 8 July 2014 in order to be valid is 11.00 a.m. on that day.

**(g) Deposit of Open Offer Entitlements into, and withdrawal from, CREST**

A Qualifying Non-CREST Shareholder's Open Offer Entitlement as set out in his or her Application Form may be deposited into CREST (either into the account of the Qualifying Non-CREST Shareholder named in the Application Form or into the account of a person entitled by virtue of a *bona fide* market claim). Similarly, Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, save (in the case of a deposit into CREST) as set out in the Application Form.

A Qualifying Non-CREST Shareholder who wishes to make such a deposit should sign and complete Box 14 of their Application Form, entitled "CREST Deposit Form" and then deposit their Application Form with the CREST Courier and Sorting Service. In addition, the normal CREST stock deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST transfer form (as prescribed under the Stock Transfer Act 1963) with the CREST Courier and Sorting Service and (b) only the Basic Entitlement shown in Box 7 of the Application Form may be deposited into CREST.

If you have received your Application Form by virtue of a *bona fide* market claim, the declaration in Box 11 must be completed or (in the case of an Application Form which has been split) marked "Declaration of sale or transfer duly made". If you wish to take up your Basic Entitlement and Excess CREST Open Offer Entitlements, the CREST Deposit Form in Box 14 of your Application Form must be completed and deposited with the CREST Courier and Sorting Service in accordance with the instructions above. A holder of more than one Application Form who wishes to deposit Basic Entitlements and Excess CREST Open Offer Entitlement shown on those Application Forms into CREST must complete Box 14 of each Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlement and Excess CREST Open Offer Entitlement and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 8 July 2014.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Basic Entitlements or Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 3 July 2014 and the recommended latest time for receipt by Euroclear UK of a dematerialised instruction requesting withdrawal of Basic Entitlements or Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 2 July 2014, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlements or Excess CREST Open Offer Entitlements, following the deposit or withdrawal (whether as shown in an Application Form or held in CREST), to take all necessary steps in connection with applying in respect of the Basic Entitlements or Excess CREST Open Offer Entitlements prior to 11.00 a.m. on 8 July 2014. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw both their Basic Entitlements or Excess CREST Open Offer Entitlements.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph entitled "Instructions for depositing entitlements under the Open Offer into CREST" of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of any of the Excluded Territories or any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(h) **Validity of application**

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 8 July 2014 will constitute a valid application under the Open Offer.

(i) **CREST procedures and timings**

CREST members and (where applicable) their CREST sponsors should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his or her CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 8 July 2014. In this respect, CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(j) **Incorrect or incomplete applications**

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question (without interest); and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

(k) **Effect of valid application**

A CREST member who makes, or is treated as making, a valid application in accordance with the above procedures, thereby:

- (i) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that he or she has the right, power and authority, and has taken all actions necessary, to make the application under the Open Offer and to execute, deliver and exercise his or her rights, and perform his or her obligations, under any contracts resulting therefrom and that he or she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and each of the Bookrunners to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with the Company and each of the Bookrunners that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms to the Company and each of the Bookrunners that in making the application he or she is not relying on any information or representation in relation to the Group other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document, or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he or she will be deemed to have had notice of all the information in relation to the Group contained in this document (including information incorporated by reference);

- (v) confirms to the Company and each of the Bookrunners that in making the application he or she is not relying and has not relied on the Bookrunners or any person affiliated with any of the Bookrunners in connection with any investigation of the accuracy of any information contained in this document or its investment decision;
- (vi) confirms to the Company and each of the Bookrunners that no person other than the Company has been authorised to give any information or to make any representation concerning the Company, or its subsidiaries, or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Bookrunners;
- (vii) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he or she has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that if he or she has received some or all of his or her Open Offer Entitlements from a person other than the Company, he or she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (ix) requests that the Open Offer Shares to which he or she will become entitled be issued to him on the terms set out in this document, subject to the Articles;
- (x) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that he or she is not, nor is he or she applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of, any of the Excluded Territories or any jurisdiction in which the application for Open Offer Shares by such person is prevented by law, and he or she is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his or her application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of, any of the Excluded Territories or any jurisdiction in which the application for Open Offer Shares by such person is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he or she is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (xiii) represents and warrants to the Company, each of the Bookrunners and the Receiving Agent that he or she is not, and nor is he or she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 and 96 (depository receipts and clearance services) of the Finance Act 1986 (a "**Specified Person**") and that if any stamp duty, stamp duty reserve tax, or any other transfer, issuance tax or related interest and penalties ("**Stamp Tax**") arises in connection with his or her acquisition of the Open Offer Shares or any subsequent transfer by him, or his or her agent, of such shares to a Specified Person or a nominee or agent for such person, he or she agrees that he or she will pay and bear, or procure the payment of, the cost of such Stamp Tax.

(l) ***Company's discretion as to the rejection and validity of applications***

Subject to the provisions of the Underwriting Agreement, the Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IV (*Terms and Conditions of the Capital Raising*);
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;



- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “**first instruction**”) as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

(m) ***Lapse of the Open Offer***

In the event that the Capital Raising does not become unconditional by 8.00 a.m. on 18 July 2014 or such later time and date as the Company and the Bookrunners may agree, the Capital Raising will lapse, the Basic Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as reasonably practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

### **4.3 Withdrawal rights**

Persons wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of the FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal within two business days of the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member. The notice of withdrawal must be delivered by post or by hand (during normal business hours only) to the Receiving Agent, Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (please call Equiniti Limited on 0871 384 2959 (if calling from within the United Kingdom, for which calls are charged at eight pence per minute excluding VAT plus network extras), or on +44 121 415 0270 (if calling from overseas) between the hours of 8.30 a.m. and 5.30 p.m. for further details) so as to be received before the end of the withdrawal period. The notice of withdrawal will be deemed to be received upon posting to or deposit with the Receiving Agent. Notice of withdrawal given by any other means or which is deposited with the Receiving Agent after such expiry of such period will not constitute a valid withdrawal. The Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares to which they are entitled in full, and the allotment of such Open Offer Shares to such person becoming unconditional, save to the extent required by statute. In such event, such persons are advised to seek independent legal advice.

## **5. MONEY LAUNDERING REGULATIONS**

### ***5.1 Holders of Application Forms***

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the “**verification of identity requirements**”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent, and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Application Form.



The person lodging the Application Form with payment, and in accordance with the other terms as described above (the acceptor), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5, the “relevant Open Offer Shares”) and shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity and, in any case by 31 July 2014, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (b) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (c) if the applicant (not being an applicant who delivers his or her application in person) makes payment by way of a cheque drawn on an account in the applicant’s name; or
- (d) if the aggregate price for the Open Offer Shares is less than Euro 15,000 (or its sterling equivalent).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker’s draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to “Equiniti Limited re: Capital & Regional Open Offer” in respect of an application by a Qualifying Shareholder and crossed “A/C Payee Only”. Third party cheques may not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/ banker’s draft to such effect. The account name should be the same as that shown on the Application Form; or
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide, with the Application Form, written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the

identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent. If the agent is not such an organisation, it should contact the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

**To confirm the acceptability of any written assurance referred to in (ii) above, or in any other case, the acceptor should contact the Receiving Agent. The telephone number of the Receiving Agent is 0871 384 2959 (if calling from within the United Kingdom, for which calls are charged at eight pence per minute excluding VAT plus network extras), or +44 121 415 0270 (if calling from overseas), between the hours of 8.30 a.m. and 5.30 p.m. on any business day.**

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate price of Euro 15,000 (or the Sterling equivalent) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 31 July 2014, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

## **5.2 Open Offer Entitlements in CREST**

If you hold your Basic Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf, you are making the application. You must therefore contact the Receiving Agent before submitting any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which, on its settlement, constitutes a valid application as described above, constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## **6. OVERSEAS SHAREHOLDERS**

The making of the Open Offer to persons located or resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 6 are intended as a general guide only and any person who is in any doubt as to his or her position should consult an appropriate professional adviser without delay.

### **6.1 General**

The distribution of this document and the making of the Open Offer to persons who have registered addresses in, or who are located, resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens or residents in or nationals of, countries other than the United

Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, any of the Bookrunners, or any other person, to permit a public offering or, subject to certain exceptions, distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale, acquisition or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Basic Entitlements and Excess CREST Open Offer Entitlements will not be credited to, stock accounts in CREST of persons with registered addresses in any of the Excluded Territories or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any such jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares unless the Company determines that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Basic Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part IV (*Terms and Conditions of the Capital Raising*) and specifically the contents of this paragraph 6.

Subject to paragraphs 6.2 to 6.5 below, any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares must satisfy himself or herself as to the full observance of the applicable laws of any

relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The Company reserves the right, but shall not be obliged, to treat as invalid, and will not be bound to allot or issue any Open Offer Shares in respect of, any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or despatched from any of the Excluded Territories or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of a Basic Entitlements or Excess CREST Open Offer Entitlement to a stock account in CREST, to a CREST member whose registered address would be, in any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 6.2 to 6.4 below.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares if the Company and the Bookrunners are satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in pounds sterling denominated cheques or banker's drafts or, where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the Excluded Territories, and subject to certain exceptions, the Shareholders who are US Persons or have registered addresses in the United States, or who are resident or ordinarily resident in, or citizens of, any Excluded Territories will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Basic Entitlements or Excess CREST Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any of the Excluded Territories or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any of the Excluded Territories or for the account of any person with a registered address in, or located in, the United States, or any person who is resident or ordinarily resident in, or a citizen of, any of the Excluded Territories except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into any of the Excluded Territories. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale, acquisition or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

## **6.2 United States**

The New Ordinary Shares (including the Open Offer Shares), the Basic Entitlements and Excess CREST Open Offer Entitlements and the Application Form have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States and, therefore, may not be directly or indirectly offered, sold, pledged, taken up, exercised, resold, delivered or transferred to (or for the account or benefit of) any US Person, or in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Ordinary Shares or the Basic Entitlements or Excess CREST Open Offer Entitlements in the United States. The Company has not been and will not be registered under, and investors will not be entitled to the benefits of the Investment Company Act of 1940.

The Company may extend the Open Offer (including the Excess Application Facility) to a limited number of the Company's significant Shareholders in the United States in a private placement, without registration, pursuant to Section 4(a)(2) of the Securities Act. The private placement would be made solely to a limited number of Shareholders in the United States that are both (1)



“accredited investors” within the meaning of Rule 501 of Regulation D under the Securities Act and (2) “qualified purchasers” within the meaning of Rule 2(a)51-1 under the Investment Company Act of 1940.

Except for the limited circumstances described above, the Company is not extending the Open Offer (including the Excess Application Facility) into the United States.

Neither this document nor an Application Form will be sent to, and no Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to, a stock account in CREST with a bank or financial institution of any Qualifying Shareholder with a registered address in the United States. The Company reserves the right to treat as invalid any Application Form or USE Instruction that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance of the Open Offer Shares, or where the Company believes acceptance of such Application Form or USE Instruction may infringe applicable legal or regulatory requirements.

### **6.3 Other Excluded Territories**

Due to restrictions under the securities laws of the Excluded Territories (other than the US) and subject to certain exceptions, persons who have registered addresses in, or who are located, resident or ordinarily resident in, or citizens of, any such Excluded Territories will not qualify to participate in the Open Offer and will not be sent an Application Form, nor will their stock accounts in CREST be credited with Basic Entitlements or Excess CREST Open Offer Entitlements.

The Open Offer Shares have not been, and will not be, registered under the relevant laws of any Excluded Territories (other than the US) or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any such Excluded Territories or to, or for the account or benefit of, any person with a registered address in, or who is located, resident or ordinarily resident in, or a citizen of, any such Excluded Territories except pursuant to an applicable exemption.

Subject to certain exceptions, no offer of Open Offer Shares is being made by virtue of this document or the Application Forms into any Excluded Territories (other than the US). In addition, any person exercising Basic Entitlements or Excess CREST Open Offer Entitlements must make the representations and warranties set out in paragraphs 4.1(d) and/or 4.2(i) of this Part IV (*Terms and Conditions of the Capital Raising*), as appropriate. Accordingly, except as set out below, the Company reserves the right to treat as invalid (i) any Application Form which does not make the representations and warranties set out in paragraph 4.1(d) of this Part IV (*Terms and Conditions of the Capital Raising*), and (ii) any USE instruction which does not make the representations and warranties set out in paragraph 4.2(i) of this Part IV (*Terms and Conditions of the Capital Raising*). The attention of persons holding for the account of persons located in any of the Excluded Territories is directed to such paragraphs.

### **6.4 Jurisdictions other than Excluded Territories**

Application Forms will be sent to Qualifying Non-CREST Shareholders and a Basic Entitlement and an Excess CREST Open Offer Entitlement will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than any Excluded Territories may, subject to the laws of their relevant jurisdiction, acquire Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, if relevant, the Application Form.

Qualifying Shareholders who have registered addresses in or who are located or resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Open Offer Shares in respect of the Open Offer.

### **6.5 Waiver**

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific persons or on a general basis by the Company, in its absolute discretion (but subject to the provisions of the Underwriting Agreement). Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to the Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than

one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

## **7. ADMISSION, SETTLEMENT AND DEALINGS**

The result of the Open Offer is expected to be announced on 9 July 2014. Application will be made to the UK Listing Authority and the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 14 July 2014.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 8 July 2014 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above is/are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the relevant USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with a Basic Entitlement and an Excess CREST Open Offer Entitlement, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly taken up are expected to be despatched by post on or around 21 July 2014. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the UK share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk.

For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 4.1 of this Part IV (*Terms and Conditions of the Capital Raising*) and their respective Application Form.

## **8. TAXATION**

Certain statements regarding United Kingdom taxation in respect of the Capital Raising for Qualifying Shareholders and Placees resident in the United Kingdom for tax purposes are set out in Part XV (*United Kingdom Taxation*) of this document. Persons who are in any doubt as to their tax position in relation to taking up any part of their Open Offer Entitlement or who may be subject to tax in any jurisdiction other than the United Kingdom are strongly recommended to consult an appropriate professional adviser immediately.

## **9. TIMES AND DATES**

The Company shall, in agreement with the Bookrunners and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer, and all related dates set out in this document, and in such circumstances shall notify the UK Listing Authority, and make an announcement on a Regulatory Information Service approved by the UK Listing Authority and, if appropriate, by the Shareholders but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer business days prior to the latest time and date for acceptance and payment under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three



business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

#### **10. GOVERNING LAW AND JURISDICTION**

The terms and conditions of the Capital Raising as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, the Open Offer, this document or the Application Form (including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form). By taking up Open Offer Shares in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales (including, without limitation, in relation to disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form) and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

#### **11. FURTHER INFORMATION**

Your attention is drawn to the further information set out in this document and incorporated by reference into this document and also, in the case of Qualifying Non-CREST Shareholders and any other Qualifying Shareholders to whom an Application Form has been sent to the terms, conditions and other information printed on the Application Form.

## PART V

### INFORMATION ON THE GROUP

#### 1 INTRODUCTION

The Group is a specialist property company with a focus on retail assets and property under management, directly and indirectly, of £1.2 billion as at 30 December 2013.

The Group generates returns both as a property investor and as a property asset manager. It derives rental income and capital growth from its role as an investor and management fees from its role as a property asset manager.

#### 2 BUSINESS OVERVIEW

The Group's business as at 20 June 2014 (being the latest practicable date prior to publication of this document) consisted of the following assets and activities:

- the Mall Fund, a dominant community shopping centre fund in the UK, in which the Group holds a 29.26 per cent. interest;
- other UK shopping centres, consisting of:
  - the Waterside Shopping Centre, Lincoln, a UK shopping centre in which the Group holds a 50 per cent. interest in a joint venture with Karoo;
  - the Kingfisher Shopping Centre, Redditch, a UK shopping centre in which the Group holds a 20 per cent. interest in a joint venture with funds managed by Oaktree Capital Management L.P.;
- the German Joint Venture, through which the Group invests in and manages a commercial retail property portfolio in Germany in which the Group holds a 49.6 per cent. interest;
- property management, consisting of the Capital & Regional Property Manager, a wholly owned subsidiary within the Group, and the Group's 30.06 per cent. interest in Garigal, a German asset and property manager which acts as the asset and property manager for the real estate portfolio held by the German Joint Venture; and
- Snozone, the largest indoor ski slope operator in the UK, which is wholly owned by the Group.

The Group's property interests focus primarily on reconfigurations, refurbishments and extensions of existing shopping centres rather than new developments, consistent with the Group's approach of generating rental growth with lower risk relative to new builds.

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns while seeking to optimise the debt and equity balance. The capital structure of the Group consists of debt, which includes the 2014 Amended and Restated Revolving Credit Facility, cash and cash equivalents and shareholder equity.

#### 3 GROUP HISTORY AND IMPORTANT EVENTS

The Company was incorporated on 13 November 1978. The Company became a public company and was admitted to trading on the Unlisted Securities Market of the London Stock Exchange on 19 November 1986. After listing in 1986, the Group continued to invest in properties both on its own as the sole investor and through joint ventures. These properties were either sold into funds and managed by the Group or prepared for disposal. The Company moved its listing to the Official List in 1995.

In 2002, the Company and Norwich Union Life Pensions Limited formed the Mall Fund and the Junction Fund with Morley Fund Management (now Aviva Investors). In consideration for units in each of the Mall Fund and the Junction Fund, the Company transferred interests in certain shopping centres and retail parks which it had acquired. The Capital & Regional Property Manager was appointed the property manager of both funds. Hammerson plc acquired the Junction Fund in October 2012 for £259.5 million. The Group received net cash consideration of £11.4 million for its 13.34 per cent. interest, excluding performance fee income of £2.6 million.

In 2003, the Group acquired its interest in the X-Leisure Fund from Marylebone Warwick Balfour for £31 million. The Capital & Regional Property Manager was appointed as the property manager and Hermes Investment Management Limited as the fund manager.

In July 2005, the Mall Fund raised £1,060 million via a commercial mortgage backed securitisation (the “**CMBS**”) through the issue of secured floating rate notes maturing in 2014 (the “**Notes**”).

In 2005, the Group began investing in commercial retail property in Germany through a joint venture with the Hahn Group (“**Hahn**”). In 2008, Capital & Regional sold 50 per cent. of its interest in the German properties it held through its joint venture with Hahn to Apollo, an investment fund managed by AREA Property Partners (now Ares) for £65.6 million to form the German Joint Venture. The German Joint Venture subsequently purchased Hahn’s minority equity stake in the same properties. The transaction also resulted in a reduction in the Group’s balance sheet debt of £374 million.

In February 2008, the Group sold an 80 per cent. interest in its FIX-UK portfolio to Paradigm Real Estate Management Ltd and Bank of Scotland Corporate. This resulted in a further reduction in the Group’s balance sheet debt of £120 million.

In February 2006, Capital & Regional Holdings entered into a core facility agreement with Bank of Scotland plc under which Bank of Scotland plc made available to Capital & Regional Holdings a revolving credit facility to be used for its working capital and general corporate purposes. Capital & Regional Holdings’ commitments under the revolving facility were guaranteed by the Company and by certain other members of the Group.

In September 2006, a second issue of Notes under the CMBS was made raising £375 million.

In June 2008, the Mall Fund raised £286 million of capital through an open offer. The proceeds were used to repay the Mall Fund’s capital expenditure facility in full. The Company voted in favour of the capital raising, but decided not to take up its entitlement. As a consequence, the Group’s interest in the Mall Fund was diluted and decreased from 24.24 per cent. to 16.72 per cent.

In August 2009, Capital & Regional Holdings entered into a facility letter with Bank of Scotland plc which provided for the amendment and restatement of the terms of the core facility agreement, including the reduction of the revolving facility to £65 million and security was granted over various assets of certain members of the Group.

In September 2009, the Group completed a £69 million placing and open offer. The Parkdev Parties subscribed for a 25 per cent. equity interest in the Company and entered into a relationship agreement with the Company, pursuant to which Louis Norval and Neno Haasbroek (representatives of and connected persons with the Parkdev Parties) were appointed as non-executive directors to the Board. Please see paragraph 16 in Part XVI (*Additional Information*) of this document for a summary of the Relationship Agreement.

In March 2010, the Group completed the sale of its long leasehold owner occupied building at 10 Lower Grosvenor Place, London, to Kardamyla Holdings Limited for net cash consideration of £10.4 million. The proceeds were used to repay the £7.4 million debt which was outstanding on the property with the balance being retained as cash on the Group’s balance sheet.

In June 2010, the Group sold its 30 per cent. interest in the Manchester Evening News Arena reflecting a total purchase price for the property of £62.2 million (a net initial yield of 7.15 per cent.).

In July 2010, the life of the Mall Fund was extended from June 2012 to June 2017, and the CMBS was restructured with the holders of Notes agreeing to an extension of the maturity of the Notes from April 2012 to April 2015.

In August 2010, the Group purchased 30.06 per cent. of the issued share capital of Garigal, a German asset and property manager, for cash consideration of €1. The Group’s partner in the German Joint Venture, Ares, purchased a further 20.04 per cent. of the issued share capital of Garigal in the same transaction. As part of the investment, the asset and property management contract for the real estate portfolio held by the German Joint Venture was transferred to Garigal.

In April 2011, the Group entered into a 50/50 joint venture with Karoo in respect of Waterside Shopping Centre, Lincoln.

During the second half of 2011, the Group purchased 13.6 million units in the Mall Unit Trust at an average price of £0.30 per unit for total consideration of £4.0 million. This acquisition increased the Group’s holding in the Mall Unit Trust by 1.44 per cent. to 18.16 per cent. In February 2012, the Group purchased a further 18.7 million units in the Mall Unit Trust at £0.30 per unit for total consideration of £5.6 million increasing its holding further from 18.16 per cent. to 20.15 per cent.

In May 2012, the Group completed its acquisition of a 20 per cent. interest in the Kingfisher Shopping Centre, Redditch for a total consideration of £10.6 million in partnership with funds managed by Oaktree Capital Management L.P. The Kingfisher Shopping Centre was purchased for £130.0 million at an 8 per cent. net initial yield.

At 30 June 2012, the Group made a provision for impairment of £3.3 million to write down the carrying value of its investment in one of the six German sub-portfolios comprised within the German Joint Venture at such time to nil. This was to take account of the fall in property values during the first half of 2012 which resulted in that one sub-portfolio defaulting on its debt. In January 2013, the portfolio was placed into administration, consequently the Group recognised a further £3.2 million impairment on its investment in the junior debt on that underlying portfolio. A further £2.3 million impairment was recognised in June 2013 on this junior debt reducing the carrying value to nil following the administration of one of the portfolio's major tenants in that period.

In August 2012, Capital & Regional Holdings entered the 2012 Amended Revolving Credit Facility with Bank of Scotland plc which amended the existing revolving credit facility entered into in August 2009 (as amended from time to time). Under the terms of the 2012 Amended Revolving Credit Facility, the existing facility was reduced to £25 million and the repayment date was 31 July 2016.

In December 2012, the Group sold its 50 per cent. interest in Xscape Braehead for net cash consideration of £4 million and in January 2013, the Group completed the disposals of its 11.9 per cent. stake in the X-Leisure Fund and its 50 per cent. interest in X-Leisure Limited to a subsidiary of Land Securities Group plc for net cash consideration of £30.6 million.

In February 2013, the Group sold its 20 per cent. interest in FIX UK Limited Partnership, a portfolio of UK trade centres and trade parks for a total consideration of £0.5 million.

In July 2013, the Mall Fund disposed of the Gracechurch Centre, Sutton Coldfield for net cash consideration of £88.0 million (initial yield of 7.75 per cent.) and the Pavilions, Uxbridge for net cash consideration £64.5 million, representing an initial yield of 7.70 per cent.

Following the disposals described in the previous paragraph, the Mall Fund's *pro forma* LTV fell below 60 per cent. therefore passing the threshold below which distributions were able to be made under the terms of the Mall Fund's borrowing arrangements.

In October 2013, the Group completed the disposal of Morrison Merlin Limited, the owner of the Great Northern Warehouse, to Resolution Property for net cash consideration of £12.0 million. The transaction resulted in the Group repaying all of its remaining on-balance sheet debt.

In February 2014, the Group completed the sale of its Leisure World, Hemel Hempstead property to the Tesco Pension Fund for net cash consideration of £8.5 million.

The proceeds from the Group's disposals between 2011-2013 were partly used to fund the acquisition of 9.11 per cent. of the issued units in the Mall Unit Trust that were purchased by the Group in 2013 from various Unitholders for a total consideration of £29.3 million and which increased the Group's stake in the Mall Unit Trust to 29.26 per cent., which remains the Group's percentage holding as at 20 June 2014 (being the latest practicable date prior to publication of this document).

In June 2014, the Group extended its available borrowings provided by Bank of Scotland plc from £25 million to £50 million by entering into the 2014 Amended and Restated Revolving Credit Facility in order to part finance the Acquisition. To the extent the Aviva Acquisition Agreement does not complete, the available borrowing will revert to £25 million.

## **4 THE GROUP'S PRINCIPAL INVESTMENTS**

### **4.1 UK Shopping Centres**

#### *The Mall Fund*

Please refer to Part VI (*Information on the Mall Fund*) of this document for detailed information on the Mall Fund and its properties.

#### *The Waterside Shopping Centre, Lincoln*

On 22 February 2011, the Group completed the purchase of the Waterside Shopping Centre, Lincoln for £24.8 million. The acquisition was completed utilising a new four year £13.6 million facility from Deutsche PostBank, together with existing cash resources.

In April 2011, the Group completed the disposal of 50 per cent. of its interest in the Waterside Shopping Centre to Karoo. Under the terms of the disposal it was agreed that Karoo would fund approximately half of the total costs and related expenses incurred by the Group in acquiring the Waterside Shopping Centre. Accordingly, the total amount paid by Karoo was £6.4 million, comprising a purchase price for the shares being sold of £58,000 and £6.37 million of financing that had been provided by the Group to complete the purchase of the centre. Following the disposal, the Group's remaining 50 per cent. interest in the centre is classified as a loan to joint venture amounting to £7.4 million as at 30 December 2013.

The centre is a freehold covered shopping centre on three floors, located in the centre of the cathedral city of Lincoln. It contains 45 retailers, with principal occupiers including New Look, Top Shop, Stormfront (an Apple reseller) and a food court. The shopping centre has 120,000 square feet of lettable space.

During 2013, a major reconfiguration of the centre commenced, a New Look unit was increased in size to 14,000 square feet and public space was enhanced. 65 per cent. of redevelopment space by value has now been let to H&M, Next, FABG restaurant and New Look.

£6.8 million of capital expenditure projects have been identified for the centre, including completion of development construction, the leasing of remaining development units, and reconfiguration of kiosks at entrances and in common areas.

#### *The Kingfisher Shopping Centre, Redditch*

On 1 May 2012, the Group completed its acquisition of a 20 per cent. interest in the Kingfisher Shopping Centre, Redditch for a total consideration of £10.6 million in partnership with funds managed by Oaktree Capital Management L.P.

The centre is a freehold covered shopping centre on two main trading levels and forms the majority of shopping space in Redditch town centre. It contains 165 units, with principal occupiers including Debenhams, M&S, Primark, Arcadia and TK Maxx. The shopping centre has 900,000 sq ft of lettable space and is located within a prosperous catchment area with low unemployment.

During 2013 pre-lets were agreed with Nando's and Real China, and a Pure Gym opened in November 2013 as part of the leisure hub within the centre. Discussions are currently ongoing with fashion retailers to improve the fashion mix.

£9.9 million of capital expenditure projects have been identified for the Kingfisher Shopping Centre to the end of 2015, including completion of a branded leisure hub, refurbishment, and change in fashion mix to target the more affluent shopper.

Key statistics in respect of the UK shopping centres as at 30 December 2013:

Number of centres	8
Lettable floor space	4.22 million square feet
Gross property value	approximately £850 million
Net Initial Yield	6.8%
Number of retailers	781
Number of retail units	918
Retail occupancy	96.3%
Car parking spaces	10,259
Number of visitors in 2013	86.8 million

#### 4.2 German Joint Venture

The Group invests in a retail property portfolio in Germany through the German Joint Venture, in which the Group holds a 50 per cent. stake. Following the sale of the Lübeck retail park in May 2014, the German Joint Venture owns 23 properties in five sub-portfolios, with a total floor space of 2.9 million square feet. Garigal, a German retail specialist asset manager in which the Group holds a 30 per cent. interest, is responsible for the asset and property management of the German Joint Venture's property portfolio. The investment in the German Joint Venture is held through a series of Jersey companies, which typically own the properties through interests in German limited partnerships.



The German Joint Venture's investment policy is to invest in commercial retail properties which fulfil the following general criteria:

- established out-of-town retail locations, typically anchored by food retailers;
- large stand-alone hypermarkets and retail parks with sales areas of, on average, more than 37,000 square feet and substantial car parking; and
- strongly cash generative with additional asset management opportunities.

The Garigal asset management team have a management plan for each asset within the portfolio. The nature of each plan varies depending on the tenant, the length of its lease and the overall requirements of the asset. Some assets with strong tenants on long leases require little management by Garigal. However, there are other assets within the portfolio which have been identified by Garigal as having value additive opportunities, for example the negotiation of early lease extensions with key anchor tenants or delivery and reconfiguration of additional retail space, and which therefore require a greater amount of management.

#### *Group's strategy for the German Joint Venture*

The Group's strategy is to concentrate its resources on its core UK shopping centre business with the intention of continuing to realise value over time from the German Joint Venture through the sale of assets. This process commenced with the sale in 2013 of a property in Taufkirchen, and gained momentum in 2014 with the sales of properties in Lübeck and Kreuztal. In order to maximise value upon realisation, the Group intends to phase disposals through sales of individual assets and portfolios of similar assets where this will maximise investor demand. Where there are asset management initiatives to complete, the sale of those assets will be phased to take place later in the process. The first of these next sales, a portfolio of seven properties with a value at 31 March 2014 in excess of €100 million, is currently being marketed and has attracted interest from both German domestic and international investors.

In addition, the Group intends to consider how the staff and management of Garigal are best able to seek to ensure an orderly close down of the portfolio and maximise the value upon realisation of the German Joint Venture's assets. The Group anticipates that this may involve taking steps to reorganise the Garigal business including, but not limited to, reorganising the ownership interests in Garigal in order to ensure appropriate incentivisation arrangements are in place.

#### *German Joint Venture's tenant market*

The German Joint Venture's underlying tenant base is robust. These properties are geographically focussed on Western Germany and approximately 65 per cent. of tenants by rent are food retailers. The portfolio has suffered minimal historical impact from insolvencies and mostly benefits from contractual rent indexation.

#### *German Joint Venture's property investment market*

At the end of 2013, the German economy was in a growth phase with quarter on quarter GDP growth of 0.4 per cent. in the fourth quarter of 2013; driven largely by a 2.6 per cent. growth in exports. In line with that trend, year on year retail sales growth was 2 per cent. in February 2014. Surveys carried out by GfK, the global market research organisation headquartered in Germany, of both income and economic expectations amongst the German public highlighted consistent improvement during 2013. This improving outlook for the German economy has been complemented by increased investment activity in Germany. A total of €30.7 billion was invested in commercial property in Germany in 2013, the second highest volume since the peak in 2007 and an increase of 21 per cent. from the €25.3 billion transacted in Germany in 2012.

Strong economic fundamentals, an improving economic outlook and a low interest rate environment is underpinning continued real estate investment in Germany. The Directors believe that the attributes of the German Joint Venture properties means they are well positioned to benefit from this positive outlook.

#### *German Joint Venture's debt*

The German Joint Venture's portfolio is financed through a number of credit facilities denominated in Euros, which are not required for repayment until after September 2015 (taking account of any extensions available).

### German Joint Venture's key statistics

The table below sets out the key portfolio property data for the German Joint Venture at 31 March 2014, as extracted from the valuation reports in Part XIII (*Property Valuation Reports*) of this document but has been adjusted for the sales of a property in Kreuztal in April 2014 and the Lübeck retail park in May 2014:

Number of properties by value					Average Property value €million
Total	> €50m	€50m – €20m	€20m – €10m	< €10m	
23	1	6	8	8	15.4

As at 30 December 2013, the assets currently within the portfolio had an average unexpired lease term of around 7.6 years, occupancy of 97.2 per cent. and passing rent of €27.5 million.

### 4.3 Property Management

#### *Capital & Regional Property Manager*

The Capital & Regional Property Manager employs the Group's specialist property management teams and holds medium and long-term management contracts with the Mall Fund, the Kingfisher Shopping Centre, Redditch, the Waterside Shopping Centre, Lincoln as well as the Broadwalk Shopping Centre, Edgware (which the Group has no interests in).

The Directors believe that the core strengths of the Group's property management team which differentiate it are as follows:

- The team covers all the relevant disciplines of property and asset management.
- The team has a proven ability of delivering complex asset management initiatives. For example, the £47 million redevelopment of The Mall, Blackburn and the current £9 million reconfiguration of the Waterside Shopping Centre, Lincoln.
- The team has strong relationships with its tenants.
- The team seeks to deploy initiatives to keep its centres at the forefront of technological change. For example, active engagement with shoppers through mobile digital media, the provision of "click & collect" services and the deployment of Wi-Fi across the portfolio.
- The team seeks to maximise commercial opportunities at its centres, typically generating approximately 15 per cent. of centre income from ancillary sources, such as car parking, merchandising units, Wi-Fi services and third party promotions.
- The team has a track record of delivering value for money for occupiers. In 2012, the service charges at the Mall shopping centres were on average 19 per cent. below the Jones Lang LaSalle benchmark.

The Capital & Regional Property Manager earns a regular stream of fee income from its various property management contracts. Such contracts provide for remuneration on a fixed fee basis with some variable elements dependent on the value of property or rent income under management. The Capital & Regional Property Manager can also earn additional fees under its property management contracts, details of which are set out below.

With respect to the property management contract for the Mall Fund, the Capital & Regional Property Manager earns a performance fee if the property level return is positive and is more than 50 basis points above the IPD UK Shopping Centre index when measured from July 2010 to the relevant realisation event in the Mall Fund.

The Capital & Regional Property Manager has agreed (conditional upon Admission) that if the next performance fee payable by the Mall Limited Partnership to the Capital & Regional Property Manager is triggered on or before 30 June 2015, it will be capped at £5.9 million (plus VAT).

With respect to the property management contract for the Kingfisher Redditch Joint Venture, the Capital & Regional Property Manager earns an additional equity return if distributions result in a geared return in excess of a 15 per cent. IRR.

With respect to the property management contract for the Waterside Lincoln Limited Partnership, the Capital & Regional Property Manager earns a performance fee on the sale of the property or the sale of all of the partners' interests in the limited partnership if distributions have resulted in a geared return in excess of a 15 per cent. IRR.

With respect to the Broadwalk Shopping Centre, Edgware, the Capital & Regional Property Manager earns a promote fee if development profits relating to the centre exceed £10 million.

#### *Garigal Asset Management GmbH ("Garigal")*

The Group owns 30.06 per cent. of the issued share capital of Garigal, a German asset and property manager which acts as the asset and property manager for the real estate portfolio held by the German Joint Venture. This ownership interest may be the subject of a reorganisation after the date of this document in connection with the sale of the German Joint Venture's assets.

The Group's property management activities accounted for 33 per cent. and 20 per cent. of the Group's recurring pre-tax profit for the year, ended 30 December 2013 and the year ended 30 December 2012, respectively.

#### 4.4 Snozone

Snozone is a ski slope operator that rents the indoor real snow slopes located at Milton Keynes and Castleford. It is wholly-owned by the Group and is currently the largest indoor ski slope operator in the UK. Snozone accounted for 7.1 per cent. and 7.1 per cent. of the Group's recurring pre-tax profit for the years ended 30 December 2013 and 30 December 2012, respectively. Previously the Group also operated Snozone in Braehead but sold 100 per cent. of its interest in Snozone Braehead Limited for £0.1 million in December 2011.

## 5 KEY STATISTICS

The table below shows a breakdown of the Group's net asset value and share of property assets as at 30 December 2013, extracted without material adjustment from the financial review comprised within the annual report and accounts of Capital & Regional for the period ending 30 December 2013.

	<b>Property assets £m</b>	<b>Net assets £m</b>
The Mall Fund (Group share 29.26%)	<b>214.3</b>	<b>100.4</b>
German Joint Venture (Group share 49.6%)	<b>167.9</b>	<b>44.8</b>
Kingfisher Redditch (Group share 20%)	<b>26.9</b>	<b>11.1</b>
Waterside Lincoln (Group share 50%)	<b>15.7</b>	<b>10.1</b>
Held for Sale (Leisure World, Hemel Hempstead) (Group share 100%)	<b>8.4</b>	<b>8.4</b>
Other net assets	<b>—</b>	<b>13.9</b>
<b>Total</b>	<b>433.2</b>	<b>188.7</b>

The property asset figures shown in the table above are on an IFRS basis and therefore not directly comparable to the valuations provided in section 6 of this Part V.

## 6 SELECTED VALUATION INFORMATION

### Overview

The properties owned by the Mall Fund, the Waterside Lincoln Limited Partnership, the Kingfisher Redditch Joint Venture and the German Joint Venture are the principal property interests of the business.

The Camberley, Luton and Maidstone Mall properties and the Waterside Shopping Centre, Lincoln have been valued by Cushman & Wakefield LLP. The Blackburn, Walthamstow and Wood Green Mall properties and the Kingfisher Shopping Centre, Redditch have been valued by CBRE Ltd. The properties owned by the German Joint Venture have been valued by DTZ Debenham Tie Leung Limited.

All valuations are on the basis of "Market Value" in accordance with the Red Book, an internationally recognised basis defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation reflects usual deductions in respect of purchaser's costs and, in particular, full liability for SDLT as applicable at the valuation date.

The following table sets out a breakdown of Cushman & Wakefield LLP's valuation of the Camberley, Luton and Maidstone Mall properties and the Waterside Shopping Centre, Lincoln, CBRE Ltd's valuation of the Blackburn, Walthamstow and Wood Green Mall properties and the Kingfisher Shopping Centre, Redditch and DTZ Debenham Tie Leung Limited's valuations of the properties owned by the German Joint Venture, in each case as at 31 March 2014.

The information is extracted from the property valuation reports in Part XIII (*Property Valuation Reports*) of this document:

	<b>31 March 2014</b>	
	<b>Valuation £m</b>	<b>Capital &amp; Regional share £m</b>
The Mall <sup>1</sup> – Camberley, Luton and Maidstone	330.8	96.8
The Mall <sup>1</sup> – Blackburn, Walthamstow and Wood Green	353.9	103.5
The Mall <sup>1</sup> total	684.7	200.3
Kingfisher Redditch <sup>2</sup>	136.5	27.3
Waterside Lincoln <sup>3</sup>	33.0	16.5
<b>Total (UK)</b>	<b>854.2</b>	<b>244.1</b>
	<b>€m</b>	<b>€m</b>
Germany <sup>4</sup>	404.0	200.4

(1) The Group held a 29.26 per cent. interest in the Mall Fund as at both 31 March 2014 and 30 December 2013.

(2) The Group held a 20 per cent. interest in the Kingfisher Redditch Joint Venture as at both 31 March 2014 and 30 December 2013.

(3) The Group held a 50 per cent. interest in the Waterside Lincoln Limited Partnership as at both 31 March 2014 and 30 December 2013.

(4) The Group held a 49.6 per cent. effective interest in the German Joint Venture as at both 31 March 2014 and 30 December 2013.

## 7 GROUP FACILITIES

In August 2012, Capital & Regional Holdings entered the 2012 Amended Revolving Credit Facility with Bank of Scotland plc which amended the existing revolving credit facility entered into on 20 August 2009 (as amended from time to time). Under the terms of the 2012 Amended Revolving Credit Facility, the existing facility was reduced to £25 million repayable on the last business day of

each interest period, with no interest period being able to extend past 31 July 2016. Interest was payable in arrears and was the sum of LIBOR / EURIBOR (as relevant), 3.20 per cent. per annum and any mandatory costs. The loan was guaranteed by the Company as well as by certain other members of the Group and security was granted over various assets of certain members of the Group.

In June 2014, Capital & Regional Holdings entered into the 2014 Amended and Restated Revolving Credit Facility which makes an additional revolving credit facility of £25 million available to Capital & Regional Holdings (the "**Bridging Loan**") in addition to the £25 million revolving facility under the 2012 Amended Revolving Credit Facility. The 2014 Amended and Restated Revolving Credit Facility will be used to part-finance the Acquisition. The Bridging Loan has a final repayment date of 31 December 2015, but if the total facility has not been reduced to £30,000,000 or less by 30 June 2015, an extension fee will be payable. It is the Group's intention that the proceeds from the disposal of non-core properties will be used to reduce the Group's gearing and fund future capital expenditure. Shortly following Completion, the Group's see through LTV is expected to be slightly above 55 per cent. with a short term target range of 50 – 55 per cent. and a medium term target range of 40 – 50 per cent. The key terms of the 2014 Amended and Restated Revolving Credit Facility are summarised in paragraph 16 of Part XVI (*Additional Information*) of this document.



## PART VI

### INFORMATION ON THE MALL FUND

#### 1. INTRODUCTION

The Mall Fund is a dominant community shopping centre fund in the UK which owns six properties with a total lettable space of over 3 million square feet and in excess of 700 retail units.

The Group holds a 29.26 per cent. interest in the Mall Fund as at 20 June 2014, being the latest practicable date prior to publication of this document.

#### 2. BACKGROUND AND HISTORY TO THE MALL FUND

In January 2002, the Mall Limited Partnership was formed by the Group with Norwich Union Life & Pensions Limited (“**NULAP**”). At that time the Mall Limited Partnership acquired 8 shopping centres from the Group and a further 3 shopping centres from NULAP. Capital & Regional Property Management Limited, a wholly owned subsidiary of the Company, was appointed the property and asset manager of the Mall Limited Partnership and Morley Fund Management Limited (now known as Aviva Investors Global Services Limited) was appointed as the fund manager of the Mall Limited Partnership.

The Mall Unit Trust, a Jersey Property Unit Trust was constituted in March 2004 and in May 2004 acquired 100 per cent. of the interest of the limited partners in the Mall Limited Partnership through the issue of Units to the limited partners in the Mall Limited Partnership at that time.

In July 2005, the Mall Limited Partnership raised £1,060 million via a commercial mortgage backed securitisation (the “**CMBS**”). This was achieved through the issue of secured floating rate notes maturing in 2014 (the “**Notes**”). The Notes were issued by Mall Funding plc, a special purpose company held outside of the Mall Fund, and were listed on the Irish Stock Exchange. Mall Funding plc also entered into an interest rate swap to mitigate the interest rate risk arising in relation to the payment of a floating rate of interest under the Notes (the “**Interest Rate Swap**”) and a liquidity facility to ensure that its payment obligations to the holders of the Notes could be met (the “**Liquidity Facility**”). Mall Funding plc also entered into the Mall Funding Loan under which it lent the proceeds of the Notes to the Mall Limited Partnership secured over, amongst other things, certain of the assets of the Mall Limited Partnership and Mall General Partner. Simultaneously, the Mall Limited Partnership signed a revolving credit facility of £375 million.

In September 2006, a second issue of Notes under the CMBS was made of £375 million.

In June 2008, the Mall Unit Trust raised £286 million of capital through an open offer for the issue of Units which the Mall Unit Trust used to subscribe for further interests in the Mall Limited Partnership. The majority of the proceeds from the open offer were used by the Mall Limited Partnership to pay down debt, including the revolving credit facility, which was entirely repaid to remove a restrictive covenant. The Group, in its capacity as a Unitholder, voted in favour of the capital raising, but decided not to take up its entitlement under the open offer. In July 2008, the Mall Fund also sold three shopping centres (in Chester, Edgware and Epsom) for £286 million.

In November 2009, the Mall Fund sold the Broadway Shopping Centre, Bexleyheath for a price of £97.9 million representing a net initial yield of 7.55 per cent.

In February 2010, the Mall Fund sold the Trinity Shopping Centre, Aberdeen for net sale proceeds of £47.1 million reflecting a deemed initial yield of 7.9 per cent. This was followed in March 2010 by the sale of the St George’s Shopping Centre, Preston for net sale proceeds of £86.5 million reflecting a deemed initial yield of 7.64 per cent. and The Exchange Shopping Centre, Ilford in June 2010 for net sale proceeds of £70.0 million at an initial yield of 7.8 per cent. In August 2010, the Mall Fund sold a further four shopping centres (in Gloucester, Southampton, Falkirk and Romford) for net sale proceeds of £134.6 million, reflecting a net initial yield of 7.5 per cent.

In July 2010 the life of the Mall Fund was extended from June 2012 to June 2017, and the CMBS was restructured with the holders of Notes agreeing to an extension of the maturity of the Notes, from April 2012 to April 2015.

The key elements of the CMBS restructuring were:

- an increase in the margin payable from 0.18 per cent. to 0.68 per cent. with effect from April 2011;
- mandatory amortisation of the Notes to £800 million by December 2012 and £600 million by December 2014;
- the introduction of an 83 per cent. CMBS LTV Ratio covenant from December 2011, with maximum CMBS LTV Ratio reducing in stages to 65 per cent. by 31 December 2014;
- a suspension of the existing release price mechanism until the CMBS LTV Ratio fell below 60 per cent. and debt fell to less than £600 million, which allowed the sale of properties where the proceeds were below the historically determined release price;
- the restriction of distributions by the Mall Limited Partnership until the CMBS LTV Ratio fell below 60 per cent. and debt under the CMBS fell to less than £600 million; and
- cash within the Mall Limited Partnership was put under the control of the security trustee.

In December 2010, the Mall Fund sold the Galleries Shopping Centre, Bristol for net sale proceeds of £49.8 million.

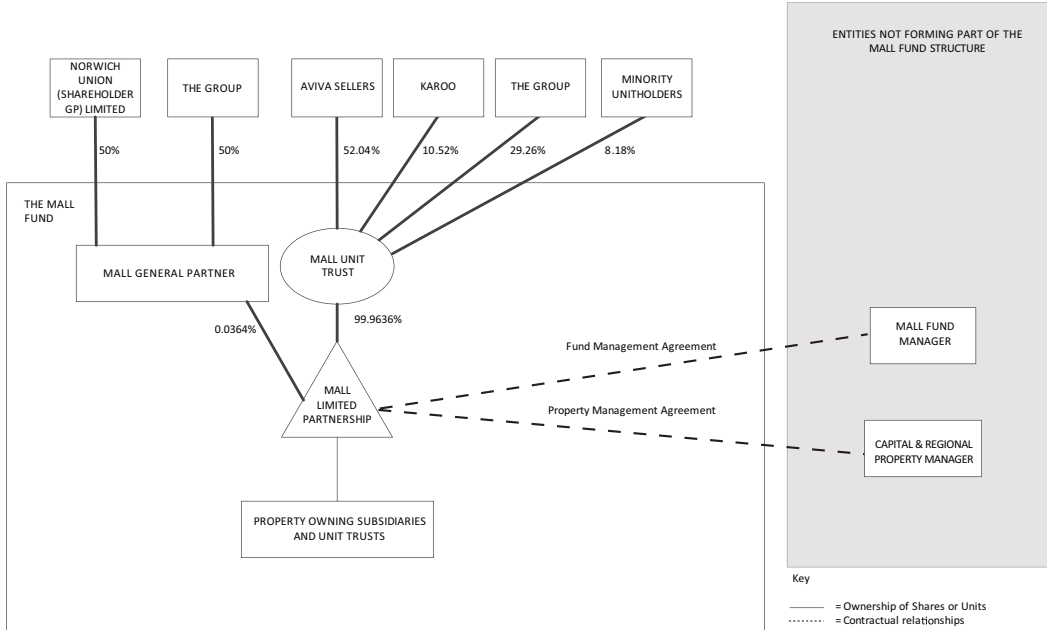
In September 2011, the Mall Fund sold the Alhambra Centre, Barnsley and the Cleveland Centre, Middlesbrough for aggregate net sale proceeds of £107.4 million, reflecting a net initial yield of 8.6 per cent.

In July 2012, the Mall Fund sold the Castle Mall Shopping Centre in Norwich for net sale proceeds of £76.8 million representing an initial yield of 7.8 per cent.

In July 2013, the Mall Fund disposed of The Gracechurch Centre, Sutton Coldfield for net sale proceeds of £87.4 million (initial yield of 7.75 per cent.) and The Pavilions, Uxbridge for net sale proceeds of £64 million, representing an initial yield of 7.70 per cent.

Following the disposals in July 2013, the Mall Limited Partnership’s *pro forma* CMBS LTV fell below 60 per cent. therefore passing the CMBS LTV Ratio threshold below which the Mall Limited Partnership (and therefore the Mall Unit Trust) was permitted to make distributions under the terms of the Notes.

The diagram below shows the structure of the Mall Fund as at 20 June 2014, being the latest practicable date prior to the publication of this document. 62.56 per cent. of the Mall Unit Trust and the 50 per cent. of Mall General Partner not already owned by the Group will be acquired as part of the Acquisition.



### 3. THE MALL FUND PROPERTIES

As detailed in Part I (*Letter from the Chairman of Capital & Regional Plc*) the Directors believe that continuing investment is essential to maintain and further enhance the relevance of the Group's portfolio of assets. Across the Mall Fund's portfolio of six UK shopping centres, the Group has identified programmes of capital expenditure totalling approximately £24 million over the next three years from which the Group is targeting income returns of at least 10 per cent. over that period. The Group has also identified a further £36 million of value adding initiatives and is working on two major developments for the Mall, Camberley and the Mall, Maidstone (with a range of funding options available) which, if implemented, would deliver transformational improvements to these centres.

The shopping centres owned by the Mall Fund, with a summary of the specific initiatives that relate to each are:

- The Mall, Blackburn

The Mall, Blackburn is a leasehold partially covered shopping centre on two floors. It contains 107 retailers, with principal occupiers including Debenhams, Primark, H&M, Next, Boots, Argos and BHS. The shopping centre has 600,000 square feet of lettable space following the delivery by the Group of an extension and refurbishment of the centre in 2011, which improved the scheme's market share within its sub-region, driving occupancy and income. Prior to this investment the centre suffered from poor pedestrian flow and an unattractive retail environment. The £46.7 million project involved the introduction of Primark as an anchor with other retailers, such as Top Shop and River Island, expanding their stores. Annual footfall is now eight per cent. higher than the pre-development level. As a result, footfall grew by almost ten per cent. from 2010 to 2011.

During 2013, new lettings were agreed with Schuh, Card Factory, Shoe Zone, Toymaster, Perfect Home and Waterstones and a proposal for what would have been a competing out of town retail park proposal was rejected by the Court of Appeal.

£5.0 million of capital expenditure projects have been identified for the Mall, Blackburn, with initiatives including the leasing of key voids and the amalgamation of 10 shop units to form a 10,000 square foot gym, three new retail units and an improved entrance to the centre.

- The Mall, Camberley

The Mall, Camberley is a part leasehold covered shopping centre on one floor. It contains 120 retailers, with principal occupiers including House of Fraser, Top Shop, Boots, Primark, Sainsbury's, Argos and River Island. The shopping centre has 390,000 square feet of lettable space and is located in an affluent South East catchment area. The Board believes that the shopping centre offers a development opportunity to reposition and create a 290,000 square feet extension.

During 2013, a new 20,000 square feet TK Maxx unit was let, following the amalgamation and extension of four units. An adjoining 6,000 square feet unit has also recently been let to Deichmann.

£3.2 million of capital expenditure projects have been identified for The Mall, Camberley, with initiatives including the delivery of new lettings, unit amalgamations, the reconfiguration of the main square and the delivery of the requisite development agreements.

The extension opportunity is being developed in parallel with a full refurbishment of the shopping centre. Funding for the scheme is being worked up by way of a development agreement which is being negotiated with the centre's local authority alongside discussions with a major department store to become an anchor tenant.

- The Mall, Luton

The Mall, Luton is a leasehold covered shopping centre on two floors, with offices extending to over 65,000 square feet. It contains 135 retailers, with principal occupiers including Debenhams, Boots, Primark, H&M, Next, Top Shop, M&S, Wilkinson and TK Maxx. The shopping centre has 900,000 square feet of lettable space and is located within a thriving London satellite town with a growing population.

During 2013, a new 7,000 square feet River Island and a new 6,000 square feet Deichmann Shoes unit were let, as well as a resized Clintons unit.

£1.7 million of capital expenditure projects have been agreed for The Mall, Luton and a further £12.1 million of initiatives identified including a possible 80,000 square feet leisure or retail opportunity at the existing market hall, a refurbishment and re-let of the 60,000 square feet of office space, a joint initiative currently being discussed with the shopping centre's local authority with regard to adjoining land to the north of the shopping centre and further leasing to key retailers to further build the fashion mix.

- The Mall, Maidstone

The Mall, Maidstone is a freehold covered shopping centre on three floors with offices extending to 40,000 square feet. It contains 95 retailers, with principal occupiers including Boots, BHS, New Look, Wilkinson, Next and Sports Direct. The shopping centre has 500,000 square feet of lettable space and is located within a vibrant South East town. Strong population growth is forecast, and as a result Maidstone Council has said that approximately 300,000 square feet of additional retail space is required within the town centre by 2031.

During 2013, a five year lease extension was exchanged with Next in anticipation of scheme improvements.

£7.7 million of capital expenditure projects have been agreed, with initiatives including a planned refurbishment and repositioning in the second half of 2014 and a reconfiguration of unit space to secure a significant new anchor tenant.

In partnership with the shopping centre's local authority, a potential 300,000 square feet extension for retail, leisure or residential use is being planned for The Mall, Maidstone. Public consultation on the scheme is ongoing.

- The Mall, Walthamstow

The Mall, Walthamstow is a freehold covered shopping centre on two floors. It contains 60 retailers, with principal occupiers including Asda, BHS, Boots, New Look, River Island and Top Shop. The shopping centre has 260,000 square feet of lettable space and is anticipated to benefit from the changing demographic of local shoppers.

£7.7 million of capital expenditure projects are currently in progress include a reconfiguration and increase in unit size agreed with Sports Direct and a reconfiguration of existing units for a new 26,000 square feet store currently being negotiated with a leading fashion retailer.

A further £14.2 million of capital expenditure projects have been identified for The Mall, Walthamstow including refurbishment due to commence in the first half of 2014 and a potential 80,000 square feet leisure or retail scheme extension.

- The Mall, Wood Green

The Mall, Wood Green is a freehold, partially open shopping centre, on two floors with nearly 40,000 square feet of offices. It contains 90 retailers, with principal occupiers including Primark, Wilkinson, H&M, Boots, Argos, TK Maxx, WH Smith, New Look and Next. The shopping centre has 550,000 square feet of lettable space and also contains a 12 screen cinema and leisure complex.

During 2013, Morrisons let a unit previously let to HMV, an extension of TK Maxx into a former Peacocks unit was agreed and discussions with two national retailers are ongoing relating to increases in unit size.

£7.3 million of capital expenditure projects have been agreed including reconfiguration of upper floor units and the potential introduction of a supermarket on a vacant former garage site. The potential introduction of a hotel operator to existing office accommodation is also being assessed as well as working closely with the shopping centre's local authority on a plan targeting retail, leisure and residential expansion for this busy London retail centre.

#### 4. KEY STATISTICS ON THE MALL FUND

Centre	Lettable space (sq ft) <sup>(1)</sup>	Retailers <sup>(1)</sup>	Market valuation <sup>(2)</sup>
Blackburn	600,000	107	£101,700,000
Camberley	390,000	134	£75,000,000
Luton	900,000	146	£193,000,000
Maidstone	500,000	88	£62,750,000
Walthamstow	260,000	57	£75,000,000
Wood Green	550,000	91	£177,200,000
<b>Total</b>	<b>3,200,000</b>	<b>623</b>	<b>£684,650,000</b>

(1) As at 31 December 2013.

(2) As at 31 March 2014.

#### 5. MALL FUND OVERVIEW

##### 5.1 Structure

The Mall Unit Trust is a Jersey Property Unit Trust (“JPUT”), in which investors hold Units. The Mall Unit Trust is the sole limited partner in the Mall Limited Partnership, an English limited partnership which directly or indirectly owns the properties.

The Mall Limited Partnership is managed by its general partner, Mall General Partner (an English company jointly owned by the Group and Norwich Union (GP Shareholder) Limited) which in turn has appointed a fund manager (the Mall Fund Manager) and a property and asset manager (the Mall Property Manager). The Company currently has one seat on the board of directors of Mall General Partner, two seats are currently held by Aviva with a further two seats (including the chairman who holds a casting vote) held by independent directors (being directors with appropriate property and/or fund management experience who are free from any material business relationships with any Unitholder) and one seat by a director appointed to represent Minority Unitholders. The issued shares in Mall General Partner are held as to 50 per cent. by Norwich Union (Shareholder GP) Limited (a company connected to Aviva) and as to the other 50 per cent. by Capital & Regional GP (a member of the Group).

Investors in the Mall Fund (including the Group and funds managed by Aviva Investors) hold Units in the Mall Unit Trust.

In comparison with direct property investment, unitised investment via a unit trust can enable investors to spread risk and access a market which would potentially not be available. In addition, units in a JPUT can be bought and sold without incurring SDLT, in contrast to direct property investment where SDLT of up to 4 per cent. may be payable.

##### 5.2 Fund Manager

The Mall Fund Manager is the fund manager for the Mall Limited Partnership. A summary of the fund management agreement with the Mall Limited Partnership is set out in paragraph 16 of Part XVI (*Additional Information*) of this document.

##### 5.3 Property and Asset Manager

The Mall Limited Partnership is advised by the Capital & Regional Property Manager in its capacity as property and asset manager. The Capital & Regional Property Manager is a wholly-owned subsidiary of Capital & Regional and employs the Group’s specialist property and asset management teams. A summary of the property and asset management agreement with the Mall Limited Partnership is set out in paragraph 16 of Part XVI (*Additional Information*) of this document.

##### 5.4 The Mall Fund’s tenant market

In recent years the combination of financial constraints, cautious consumers and rising costs has given rise to challenging circumstances for UK retailers.



During the year ended 31 December 2013, 27 of the Mall Fund's retail units were affected by administrations representing, in aggregate, passing rent of £1.7 million (representing 3.0 per cent. of the Mall Fund's rent roll at 1 January 2013). At 31 December 2013, there were three units where the tenant was continuing to trade whilst in administration with an aggregate passing rent of £0.2 million. There have been eight retail units affected by tenants entering administration in the three months ended 31 March 2014, with an aggregate passing rent of £0.3 million.

During the year ended 31 December 2013, 35 rent reviews were concluded at an aggregate passing rent of £3.3 million, which was 12.6 per cent. above ERV. Also, during the year ended 31 December 2013, 22 expired leases were renewed at an aggregate passing rent of £1.0 million which was 6.2 per cent. below ERV. There were also 40 new lettings (excluding temporary lettings) at an aggregate passing rent of £3.1 million, which (excluding turnover deals) was 1.3 per cent. above ERV. The data in this paragraph 5.4 is prepared on a like-for-like basis excluding lettings relating to the Gracechurch Centre, Sutton Coldfield and the Pavillions, Uxbridge, which were sold by the Mall Fund during 2013.

While passing rent on a like-for-like basis fell 2.3 per cent. over the year ended 31 December 2013, rent collection rates remained strong, with 99.2 per cent. (excluding tenants in administration) of the December 2013 rent roll collected within 30 days. The aggregate passing rent at 31 December 2013 was £53.8 million, compared to £55.1 million at 31 December 2012.

As at 31 December 2013, retail occupancy levels (including development voids and excluding tenants in administration) were 96.7 per cent., compared to 98.1 per cent. at 31 December 2012.

The Mall Fund's tenant base is well-diversified and includes more than 330 different retailers. The table below shows the Mall Fund's top five tenants by rental income for the year ended 31 December 2013.

	%
Alliance Boots Limited	5.4
Debenhams Properties Limited	3.5
Primark Stores Limited	3.5
Arcadia (excluding BHS)	2.9
H & M Hennes & Mauritz	2.3

### **5.5 The Mall Fund's investment market**

Net initial yield on the Mall Fund's six shopping centres (on a like-for-like basis) moved by 14 basis points from 31 December 2012 to 31 December 2013.

The Board considers that there has been a notable improvement in sentiment in the secondary market since the third quarter of 2013 with good investment demand for stronger secondary stock coming principally from domestic REITs, domestic institutions and from international private equity firms. This reflects:

- the opportunity for capital growth – there are increasing signs of a strong recovery in values which have been seen in prime properties now spreading into the secondary sector, where investors are seeing improving value and greater opportunities to derive performance relative to prime properties with very demanding yields.
- rental growth potential – rental values on the Mall Fund's assets are on average 11.7 per cent. lower than peak levels. These rental levels provide attractive occupancy cost levels for retailers which should help to stimulate retail demand and future growth in rents.
- investment potential – many secondary shopping centres have also suffered from under-investment of capital since the global economic downturn in 2007. The Board believes that asset values typically reflect this position, and that investors should now be able to invest at levels where capital improvements will directly translate into improved values and returns, further reinforcing the investment potential seen in secondary shopping centres.
- the availability of funding on terms that are attractive compared to yields.

### **5.6 The Mall Fund's debt**

Following the disposals of the Gracechurch Centre, Sutton Coldfield and the Pavillions, Uxbridge in July 2013 the Mall Fund's debt under the CMBS reduced to £379.5 million and its *pro forma*

CMBS LTV Ratio to 56 per cent. As at 30 December 2013, the Mall Fund had debt under the CMBS of £379.5 million and its *pro forma* CMBS LTV Ratio had fallen to 55 per cent.

On 30 May 2014, £350 million of the Mall Fund Senior Facility was drawdown by the Mall Limited Partnership. Such drawdown, combined with £29.5 million of existing cash resources within the Mall Fund, enabled the Mall Limited Partnership to repay the Mall Funding Loan in full, and will allow Mall Funding plc to settle the Notes in full on 22 July 2014. The settlement of the Mall Funding Loan triggered the termination of the Liquidity Facility and the Interest Rate Swap. The termination of the Interest Rate Swap crystallised the liability of approximately £10.7 million, including accrued interest which was discharged in full. Further costs of £6.3 million have been incurred in respect of the refinancing which will be amortised over the term of the Mall Fund Senior Facility. In addition, costs of £0.3 million have been incurred which will be charged to the income statement of the Mall Fund.

The Mall Fund Senior Facility is made up of (i) a secured sterling term loan of £350 million; and (ii) a £25 million capital expenditure facility, which are both repayable on 30 May 2019. Interest is payable quarterly in arrears. On two thirds of the term loan, interest will be payable at a fixed rate of 1.86 per cent. plus the relevant margin and on the remaining third of the term loan and the capex facility, interest will be payable on the sum of LIBOR plus the relevant margin at such time. The floating rate term loan will be hedged by way of fully paid interest rate caps with a 3 month LIBOR strike price of 2.75 per cent. per annum for the relevant period. The margin includes a ratchet mechanism linked to the LTV financial covenant (tested quarterly), and is calculated as per the below table:

<b>LTV</b>	<b>Margin (per annum)</b>
≤45%	1.75%
>45% and ≤60%	1.90%
>60%	2.15%

Ongoing fees include a commitment fee of 40 per cent. of the relevant margin on the undrawn facility and a prepayment and cancellation fee of between 1.5 per cent. and 0.5 per cent., depending on the timing of the prepayment or cancellation.

The security for the Mall Fund Senior Facility includes legal mortgages over the six shopping centres owned by the Mall Fund and a charge over the Mall Unit Trust’s partnership interest in the Mall Limited Partnership. Further details in relation to the Mall Fund Senior Facility are set out at paragraph 16 of Part XVI (*Additional Information*) of this document.

## PART VII

### OPERATING AND FINANCIAL REVIEW OF THE GROUP

#### 1. Cross reference list

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

##### **1.1 Annual Report for the year ended 30 December 2011 and independent audit report thereon**

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 30 December 2011:

Chairman's statement	Page 8
Chief Executive's statement	Pages 9-10
Operating Review	Pages 11-15
Financial Review	Pages 18-24
Principal risks and uncertainties	Pages 25-27

##### **1.2 Annual Report for the year ended 30 December 2012 and independent audit report thereon**

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 30 December 2012:

Chairman's statement	Page 2
Chief Executive's statement	Pages 3-4
Operating Review	Pages 10-16
Financial Review	Pages 17-23
Principal risks and uncertainties	Pages 24-26

##### **1.3 Annual Report for the year ended 30 December 2013 and independent audit report thereon**

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 30 December 2013:

Chairman's statement	Pages 4-5
Chief Executive's statement	Pages 6-8
Our Marketplace	Page 14
Operating Review	Pages 20-23
Financial Review	Pages 24-30
Principal risks and uncertainties	Pages 40-43

#### 2. Summary cash flows for three years ending 30 December 2013

The table below extracted from the Company's audited accounts shows a summary of cash flows for the three years ending 30 December 2013:

	2013 £m	2012 £m	2011 £m
Cash flows from operating activities	(4.7)	(5.0)	8.8
Cash flows from investing activities	13.3	(0.8)	(25.4)
Cash flows from financing activities	(2.8)	(8.9)	10.9
Net decrease in cash and cash equivalents	5.8	(14.7)	(5.7)

The Group's cash flows from operating activities relate to income and costs in its property management business and its Snozone business, distributions received from its investments in its joint ventures and associates and interest and taxes paid by the Group. The Mall Fund was restricted from making distributions to Unitholders under the terms of its borrowing arrangements until the LTV of the Fund was below 60 per cent. and its debt was less than £600 million. These restrictions fell away following the sale by the Mall Fund of the shopping centres at Uxbridge and Sutton Coldfield in July 2013.

The Group's other joint ventures are subject to similar potential distribution restrictions under the terms of their respective borrowing arrangements. The Waterside Lincoln Limited Partnership has

been precluded from making distributions under the terms of its borrowing facility since all cash generated must be re-invested under its development plan. The Kingfisher Redditch Joint Venture was restricted from making distributions until April 2013. Since that date the Kingfisher Redditch Joint Venture has been permitted to make distributions, but has not yet done so.

Distributions received by the Group from its associates and joint ventures for each of the three years ending 30 December 2013 are detailed in the 'Related Party Transaction' note within the notes to the financial statements incorporated by reference in Part IX (*Historical Financial Information on Capital & Regional*) of this document.

Cash flows from investing activities relate to the purchase and disposal of property assets and interests in joint ventures and associates and extension of or repayment of loans to its joint ventures and associates. In 2013, this included the proceeds from the sale of the Great Northern Warehouse and the Group's interest in the X-Leisure Fund partially offset by its acquisition of Units. In 2012, this included proceeds from the sale of the Group's interest in the Junction Fund offset by its investment in the Kingfisher Shopping Centre. In 2011 this included the Group's investment in the Waterside Shopping Centre.

Cash flows from financing activities include the draw down or repayment of Group debt facilities and the settlement or receipt of any amounts due or receivable under its treasury arrangements. The Group's cash flows and borrowings are not subject to any material seasonal fluctuations. The peak borrowing during the three year period ending 30 December 2013 occurred in 2011 when, in addition to the existing Group facilities at that time (consisting of the secured bank loan in respect of Morrison Merlin Limited and the Group's central borrowing facility), the Group drew down £13.6 million on a new facility to facilitate the purchase of the Waterside Centre, Lincoln. This additional facility was transferred to the Waterside Lincoln Limited Partnership on the formation of that joint venture. Further details are provided in note 23 to the financial statements of the Annual Report and Accounts for the year ended 30 December 2011 which is incorporated by reference into Part IX (*Historical Finance Information on Capital & Regional*) of this document.

### **3. Liquidity and Capital Resources**

The Group is funded by equity, debt and retained profits. Cash that is not required for investments is used to repay revolving debt facilities wherever possible, maximising the efficiency of paying down loans that are available to be redrawn as needed. Any cash that is held is normally placed on interest bearing accounts.

In June 2014, the Group entered into the 2014 Amended and Restated Revolving Credit Facility. The 2014 Amended and Restated Revolving Credit Facility extends the Group's existing facility of £25 million, available until July 2016, by an additional tranche of £25 million until 31 December 2015, such additional tranche to fall away if the Aviva Acquisition Agreement does not complete. The key terms of the 2014 Amended and Restated Revolving Credit Facility are summarised in paragraph 16 of Part XVI (*Additional Information*) of this document.

## PART VIII

### OPERATING AND FINANCIAL REVIEW OF THE MALL FUND

#### RESULTS OF OPERATIONS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

##### 1. Overview

The Mall Fund specialises in the ownership and management of dominant community shopping centres in the UK.

In June 2010 the Mall Fund completed a restructuring of its CMBS borrowings as described in paragraph 3 of Part VI (*Information on the Mall Fund*) of this document. The principal terms of this were:

- an extension of the maturity of the borrowing from April 2012 to April 2015;
- an increase in margin payable from 0.18 per cent. to 0.68 per cent.;
- mandatory amortisation of the borrowings to £800 million by December 2012 and £600 million by December 2014;
- a phased reduction of the LTV covenant under the CMBS from 83 per cent. to 65 per cent. in December 2014; and
- a restriction on distributions until the LTV under the CMBS was below 60 per cent. and the borrowings outstanding are less than £600 million.

The terms of this restructuring required the Mall Fund to dispose of assets during the three years ended 31 December 2013 in order to ensure compliance with them and have shaped the operations of the Mall Fund during this period.

In addition to ensuring compliance with the terms of the restructuring, the Mall Fund pursued a de-gearing policy during the period to facilitate the recommencement of distributions in order to ensure that a refinancing of the portfolio would be possible before the maturity date of 2015.

##### 2. Result of Operations

The following table sets out from the Mall Fund's consolidated income statements for the financial years ended 31 December 2011, 2012 and 2013 which has been compiled from data extracted from the audited financial statements of the Mall Unit Trust, the Mall Limited Partnership and Mall General Partner. All such information has been prepared under the Company's accounting policies in accordance with IFRS as adopted by the European Union (EU). The statements set out below should be read in conjunction with the historical information in Part X (*Historical Financial Information on the Mall Fund*) of this document.

Under IFRS, the Units held by Unitholders are treated as a liability on the balance sheet, as opposed to equity. The net profit movement attributable to Unitholders therefore shows on the income statement as 'Fair value adjustment of units' instead of showing as net profit within the structure.

#### Consolidated and combined statement of comprehensive income

For the year to 31 December

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Continuing operations</b>			
Revenue	77.4	94.8	117.0
Cost of sales	(24.7)	(30.8)	(39.3)
<b>Gross profit</b>	<b>52.7</b>	<b>64.0</b>	<b>77.7</b>
Administrative costs	(7.5)	(8.2)	(7.2)
Loss on sale of investment properties	(20.0)	(8.1)	(4.3)
Loss on revaluation of investment properties	(2.4)	(40.5)	(4.1)
<b>Profit on ordinary activities before financing</b>	<b>22.8</b>	<b>7.2</b>	<b>62.1</b>
Finance income	0.1	0.1	0.1
Finance costs	(10.8)	(25.1)	(47.6)
Fair value adjustment of Units	(12.1)	17.8	(14.6)
<b>Profit before and after tax</b>	<b>—</b>	<b>—</b>	<b>—</b>



## Consolidated and combined balance sheet

	31-Dec 2013 £m	31-Dec 2012 £m	31-Dec 2011 £m
<b>Non-current assets</b>			
Investment properties	732.3	897.4	935.0
Receivables	15.7	16.6	15.6
<b>Total non-current assets</b>	<b>748.0</b>	<b>914.0</b>	<b>950.6</b>
<b>Current assets</b>			
Receivables	12.6	84.8	93.0
Cash and cash equivalents	71.8	45.2	43.2
Assets classified as held for sale	—	—	84.2
<b>Total current assets</b>	<b>84.4</b>	<b>130.0</b>	<b>220.4</b>
<b>Total assets</b>	<b>832.4</b>	<b>1,044.0</b>	<b>1,171.0</b>
<b>Current liabilities</b>			
Trade and other payables	(33.7)	(41.3)	(54.1)
<b>Total current liabilities</b>	<b>(33.7)</b>	<b>(41.3)</b>	<b>(54.1)</b>
<b>Non-current liabilities</b>			
Other payables	(13.5)	(37.2)	(41.0)
Obligations under finance leases	(65.4)	(65.5)	(65.5)
Long term borrowings	(378.6)	(568.5)	(658.2)
Puttable units of The Mall Unit Trust at amortised cost	(340.9)	(331.2)	(351.9)
<b>Total non-current liabilities</b>	<b>(798.4)</b>	<b>(1,002.4)</b>	<b>(1,116.6)</b>
<b>Total liabilities</b>	<b>(832.1)</b>	<b>(1,043.7)</b>	<b>(1,170.7)</b>
<b>Net assets</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Equity</b>			
Share capital	—	—	—
Share premium	0.3	0.3	0.3
<b>Shareholders' funds of Mall General Partner</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

## Consolidated and combined cash flow statement

	2013 £m	2012 £m	2011 £m
<b>Operating activities</b>			
Net cash from operations	37.3	55.1	54.7
Interest paid	(30.9)	(32.4)	(45.6)
Interest received	0.1	0.1	0.1
<b>Cash flows from operating activities</b>	<b>6.5</b>	<b>22.8</b>	<b>9.2</b>
<b>Investing activities</b>			
Capital expenditure on investment properties	(4.7)	(3.2)	(3.8)
Receipts on sale of investment properties	149.0	76.7	153.6
<b>Cash flows from investing activities</b>	<b>144.3</b>	<b>73.5</b>	<b>149.8</b>
<b>Financing activities</b>			
Payments to Unitholders	(2.9)	(6.3)	—
Transfer of monies held on behalf of the bondholders	70.1	3.4	(0.9)
Repayment of loans	(191.4)	(91.4)	(165.4)
<b>Cash flows from financing activities</b>	<b>(124.2)</b>	<b>(94.3)</b>	<b>(166.3)</b>
Net increase / (decrease) in cash and cash equivalents	26.6	2.0	(7.3)
Cash and cash equivalents at the beginning of the year	45.2	43.2	50.5
<b>Cash and cash equivalents at the end of the year</b>	<b>71.8</b>	<b>45.2</b>	<b>43.2</b>

### 3. Factors affecting the result of operations

#### Year ended 31 December 2011

As at 1 January 2011 the Mall Fund owned 12 shopping centres in the UK with a lettable area of 5.6 million square feet and valued at £1.1 billion and had also exchanged contracts for the disposal of the Galleries Centre, Bristol.

In January 2011, the Mall Fund completed the disposal of the Galleries Centre, Bristol for £50.2 million. In September 2011, the Alhambra Centre, Barnsley and the Cleveland Centre, Middlesbrough were sold by the Mall Fund for a combined gross consideration of £108.1 million and the net sales proceeds from all three disposals were used to reduce the Mall Fund's outstanding debt under the CMBS in order to make progress towards the debt amortisation targets agreed under the restructure of the Mall Fund's CMBS borrowings in July 2010.

The debt outstanding under the CMBS was reduced to £662.3 million as at 31 December 2011, a reduction of £165.4 million during that financial year resulting in a CMBS LTV Ratio of 69 per cent. and a CMBS Net Debt to Value Ratio of 56 per cent.

As at 31 December 2011 the Mall Fund's properties were valued at £971 million having produced a property level return of 6.2 per cent. during the year ended 31 December 2011.

There were 75 new lettings during the year ended 31 December 2011 with an annual rent of £6.1 million and the contracted rent as at 31 December 2011 was £81.9 million.

Occupancy was 97.2 per cent. as at 31 December 2011 and the weighted average lease length was 8.4 years.

#### Year ended 31 December 2012

The financial year to 31 December 2012 was a challenging year for the Mall Fund. In the first half of the year there were 52 tenant insolvencies with a passing rent of £5.3 million. In the second half of the year there were only eight tenant insolvencies involving passing rent of £0.8 million.

There were 74 lettings during the year ended 31 December 2012 for an aggregate annual rent of £4.7 million. At 31 December 2012, contracted rent was £71.8 million, occupancy was 97.0 per cent. and the weighted average lease length was 8.2 years.

Revenue declined £22.2 million in comparison to the year ended 31 December 2011 primarily as a result of asset disposals in both 2011 and 2012. Gross profit declined by £13.7 million for the same reason.

During the year there was a reduction in finance costs of £22.4 million partly as a result of the reduction in the level of outstanding debt under the CMBS, but also as a result of a reduction on the mark-to-market liability of the interest rate swaps of £8.1 million during 2012.

As at 31 December 2012, the valuation of the Mall Fund's properties was £850.8 million at a net initial yield of 7.0 per cent. The total return for the year was 1.0 per cent. which was split between an income return of 6.0 per cent. and a capital loss of 5.0 per cent. This reflected the impact of the income lost through insolvencies on the valuation.

One disposal was made during the year with the sale of Castle Mall, Norwich in July 2012 for £77.3 million at a net initial yield of 7.8 per cent. resulting in a loss on the December 2011 valuation of £8.5 million. The proceeds along with other cash resources were used to reduce the Mall Fund's CMBS indebtedness by £91.4 million.

As at 31 December 2012, the Mall Fund had CMBS debt of £570.9 million at a CMBS LTV Ratio of 68 per cent. and a CMBS Net Debt to Value Ratio of 55 per cent.

### **Year ended 31 December 2013**

In July 2013 the restriction agreed as part of the CMBS restructuring in July 2010 preventing the Mall Fund from making distributions was lifted as a result of repayments of debt under the CMBS following two further disposals. The Pavilions, Uxbridge and the Gracechurch Centre, Sutton Coldfield were sold in July 2013 for combined consideration of £152.5 million. The sales proceeds, in conjunction with other funds held in the Mall Fund, were used to repay £168.0 million of the debt under the CMBS reducing the debt outstanding to £379.5 million at a CMBS LTV Ratio of 56 per cent.

Revenue declined £17.4 million in comparison to the year ended 31 December 2012 primarily as a result of the disposals referred to above. Gross profit declined by £11.3 million for the same reason.

During the year there was a reduction in finance costs of £14.4 million partly as a result of the reduction in the level of outstanding debt but also as a result of a further reduction on the mark-to-market liability of the interest rate swaps of £13.9 million during 2013.

In the year ended 31 December 2013, there were 40 lettings at an annual rent of £3.1 million. As at 31 December 2013, retail occupancy was 96.7 per cent. and the weighted average lease length was 8.3 years.

As at 31 December 2013, the valuation of the Mall Fund's properties was £684.7 million at a net initial yield of 6.8 per cent. The total return for the year ended 31 December 2013 was 3.3 per cent. reflecting an income return of 6.0 per cent. and a capital return of -2.7 per cent.

As at 31 December 2013, the Mall Fund had CMBS debt of £379.5 million at a CMBS LTV Ratio of 55 per cent. and a CMBS Net Debt to Value Ratio of 46 per cent.

## **4. Liquidity and cash flow**

As at 31 December 2013 the Mall Fund had a single source of borrowings of £379.5 million through its CMBS borrowings, which was secured on the Mall Fund's properties.

The maximum level of borrowings of the Mall Fund under the CMBS in the three years ended 31 December 2013 was £827.7 million. The Mall Fund's cash flows and CMBS borrowings were not subject to any material seasonal fluctuations and there were no restrictions on the ability of the Mall Fund to transfer cash up from subsidiary entities other than those imposed under the terms of the CMBS.

During the year to 31 December 2013, the Mall Fund generated £3.6 million from its operating activities which was after the payment of interest of £21.2 million and £9.7 million of break costs on interest rate swaps. As referred to above, the shopping centres at Uxbridge and Sutton Coldfield were sold realising net sales proceeds of £149.0 million. The Mall Fund invested £5.5 million of capital expenditure in the portfolio during the year.

The Mall Fund repaid £191.4 million of CMBS debt during the year which resulted in the restrictions arising from the 2010 restructuring of the CMBS being released. As a consequence

£70.1 million which was under the control of the noteholders under the CMBS was released back to the Mall Fund. There was no ability for the Mall Fund to re-borrow any debt under the CMBS that had been repaid.

As at 31 December 2013, the Mall Fund held cash of £71.8 million, an increase over the year of £26.7 million. The Mall Fund does not hold funds in any currency other than sterling. Other than discussed above, the Mall Fund had no material unused sources of liquidity and borrowings during the three years ended 31 December 2013.

On 30 May 2014, the Mall Limited Partnership completed the drawdown of a £350 million term loan which, along with a £25 million capital expenditure facility, makes up the Mall Fund Senior Facility (see paragraph 5.6 of Part VI (*Information on the Mall Fund*) of this document for more details). The term loan is repayable on 30 May 2019. The capital expenditure facility remains undrawn and is available for use on planned capital expenditure projects. The proceeds of the term loan and a further £29.5 million of the Mall Fund's cash reserves were used to repay the Mall Funding Loan in full and will be used to settle the Notes in full on 22 July 2014.

## 5. Loan Covenants and maturity

As at 31 December 2013, the CMBS LTV Ratio covenant on the Mall Fund's CMBS debt was 71 per cent. and would have decreased to 65 per cent. at 31 December 2014 had the CMBS remained in place as at such date. The actual CMBS LTV Ratio as at 31 December 2013 was 56 per cent.

As at 31 December 2013, both the historic and projected ICR covenants under the CMBS were set at 130 per cent. of interest payable. As at 31 December 2013 the actual historic ICR and the projected ICR under the CMBS were 216 per cent. and 233 per cent. respectively.

## 6. Principal risks

The key risks arising in the Mall Fund are market, credit, operational and liquidity risks which are discussed in more detail below.

### Financial instruments

The Mall Fund's principal financial instrument to finance the operations for the Mall Fund during the three years ended 31 December 2013 was the CMBS and related ancillary instruments.

The principal risks which arose from the Mall Fund's financial instruments were interest rate risk and liquidity risk. Mall General Partner reviewed these risks and developed policies for managing each type of risk during the three years ended 31 December 2013 as follows:

#### (i) Interest rate risk

The Mall Fund's policy was to eliminate substantially all the exposure to interest rate fluctuations in order to provide certainty over the amount of interest payable. The following table sets out the carrying amounts, by maturity, of the Mall Fund's financial instruments as at 31 December 2013 and 31 December 2012.

31 December 2013	Weighted average interest rate %	Less than 1 year £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
<b>Floating rate</b>					
Cash	0.5	71,845	—	—	71,845
<b>Fixed rate</b>					
CMBS and interest rate swaps*	4.11	—	379,453	—	379,453

31 December 2012	Weighted average interest rate %	Less than 1 year £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
<b>Floating rate</b>					
Cash	0.5	45,100	—	—	45,100
<b>Fixed rate</b>					
Bonds and interest rate swaps*	4.11	—	570,867	—	570,867

\* The CMBS and interest rate swap reflect the Mall Fund's total exposure at the time to debt held within the Mall Fund under the CMBS.

As at 31 December 2013, the Mall Fund had two interest rate swaps which were used to fix 100 per cent. of the Mall Fund's CMBS debt at an interest rate of 4.11 per cent. until 22 April 2015 when the notes under the CMBS would have matured had they remained in place.

As at 31 December 2013, the fair value of the interest rate swaps was a liability of £13.3 million

## (ii) Liquidity risk

Liquidity risk was managed by ensuring that there was always sufficient cash reserves available to meet the working capital requirements of the business. The Mall Fund projected and monitored prudent forward looking interest cover ratios.

### *Loan covenant adherence*

The risk of failure to adhere to the various loan covenant requirements was mitigated through the Mall Fund's holding significant cash reserves.

The LTV covenant under the CMBS was 56.0 per cent. as at 31 December 2013 (2012: 67.6 per cent.) against a covenant ratio of 71 per cent. (2012: 77 per cent.).

### **Interest cover ratios**

	2013	2012
1 Year projected interest cover ratio	2.33%	2.05%
Covenant ratio	1.30%	1.30%
1 Year historic interest cover ratio	2.16%	1.92%
Covenant ratio	1.30%	1.30%

## (iii) Market risk

The Mall Fund's exposure to market risk took the form of property valuations and, indirectly, rental income, which have a direct impact on the value of investments. The management of this risk fell within the mandate of Aviva Investors, which makes and manages investments on behalf of the Mall Fund and the Capital & Regional Property Manager as property and asset manager.

## (iv) Credit risk

The Mall Fund did not have a significant exposure to credit risk as receivables were mainly short-term trading items or inter-entity balances. The Mall Fund's investments were managed by agents who had responsibility for the prompt collection of amounts due.

### *Tenant default risk*

The economic environment contained a risk of tenant default. The Mall Fund managed this risk by ensuring that covenant assessments were made on incoming tenants which included the use of credit scores.



**Tenants in administration**

	<b>Units</b>	<b>Rent roll £m</b>
Total 2013	33	2.0
Total 2012	67	6.0

**Tenants on monthly terms – passing rent**

	<b>December 2013</b>	<b>December 2012</b>
Percentage extra contractual concession	5.44%	3.71%
Percentage contractual term	22.85%	21.41%
Total percentage on monthly terms	28.29%	25.11%

## PART IX

### HISTORICAL FINANCIAL INFORMATION ON CAPITAL & REGIONAL

#### 1. BASIS OF FINANCIAL INFORMATION

The consolidated financial statements of the Group included in the audited Annual Reports and Accounts of Capital & Regional for the financial years ended 30 December 2011, 30 December 2012 and 30 December 2013, together with the audit reports thereon, are incorporated by reference into this document. The consolidated financial statements as of and for the financial year ended 30 December 2011, the financial year ended 30 December 2012 and the financial year ended 30 December 2013 were prepared in accordance with IFRS, and the audit report for each such financial year was unqualified.

#### 2. CROSS REFERENCE LIST

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

- **Financial statements for the year ended 30 December 2011 and independent audit report thereon**

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 30 December 2011:

Group income statement	Page 56
Consolidated statement of comprehensive income	Page 56
Group balance sheet	Page 57
Consolidated statement of changes in equity	Page 58
Group cash flow statement	Page 59
Notes to the financial statements	Pages 60-109
Independent auditors report	Page 110-111

- **Financial statements for the year ended 30 December 2012 and independent audit report thereon**

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 30 December 2012:

Group income statement	Page 51
Consolidated statement of comprehensive income	Page 51
Group balance sheet	Page 52
Consolidated statement of changes in equity	Page 53
Group cash flow statement	Page 54
Notes to the financial statements	Pages 55-103
Independent auditors report	Page 104-105

- **Financial statements for the year ended 30 December 2013 and independent audit report thereon**

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 30 December 2013:

Group income statement	Page 77
Consolidated statement of comprehensive income	Page 78
Group balance sheet	Page 79
Consolidated statement of changes in equity	Page 80
Group cash flow statement	Page 81
Notes to the financial statements	Pages 82-124
Independent auditors report	Page 73-76

- **Discontinued operations**

- (i) **Year ended 30 December 2011**

The income statement and related notes to the financial statements for the year ended 30 December 2011 results were restated in the 2012 Annual Report to reclassify the results in respect of the Group's interest in The Junction Fund, Xscape Braehead and X-Leisure as

discontinued operations following their disposal or reclassification as assets held for sale during 2012.

The restatement resulted in £10.3 million of profit for the year from continuing operations being reclassified as discontinued operations. This restatement did not impact revenue, loss for the year or have any impact on the balance sheet or net asset value compared to the 2011 results originally published.

If 2011 were to be further restated in line with 2013 to also show the results in respect of the Group's interest in the Great Northern Warehouse and Leisure World, Hemel Hempstead as discontinued operations this would result in £2.3 million of profit for the year from continuing operations being restated as discontinued operations. Revenue and gross profit from continuing operations would each reduce by £7.4 million. The profit for the year of £21.1 million would remain unchanged and there would be no impact upon net asset value or the balance sheet.

***(ii) Year ended 30 December 2012***

The income statement and related notes to the financial statements for the year ended 30 December 2012 results were restated in the 2013 Annual Report to reclassify the results in respect of the Group's interest in the Great Northern Warehouse and Leisure World, Hemel Hempstead as discontinued operations following their disposal or reclassification as assets held for sale during 2013.

The restatement resulted in £1.0 million of profit for the year from Continuing Operations being reclassified as discontinued operations and revenue from continuing operations reduced by £6.7 million and gross profit from continuing operations reduced by £4.5 million. The loss for the year of £16.0 million remained unchanged and there was no impact upon net asset value or the balance sheet.

## PART X

### HISTORICAL FINANCIAL INFORMATION ON THE MALL FUND

#### SECTION A: HISTORICAL FINANCIAL INFORMATION ON THE MALL FUND

The financial information contained in this Part X has been prepared under the Company's accounting policies in accordance with IFRS as adopted by the European Union (EU). The Accountants Report on the historical financial information is included within Section B of this Part X.

The financial information contained in this Part X does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 or, as the case may be, section 434 of the Companies Act.

Although not a subsidiary of the Mall Unit Trust, the assets and liabilities of Mall General Partner are included in the financial information due to their status as a target entity. Mall General Partner incurred a £0.2 million loss in both of the years ended 31 December 2011 and 2012, and had a profit of £0.7 million in the year ended 31 December 2013. Mall General Partner had a net deficit of £0.4 million and £0.6 million at 31 December 2011 and 31 December 2012 respectively and had net assets of £0.2 million at 31 December 2013. Accordingly the historical financial information constitutes consolidated financial information of the Mall Unit Trust aggregated with that of Mall General Partner, collectively the Mall Fund for the purposes of this Part X. Transactions between the Mall Limited Partnership and Mall General Partner have been eliminated in accordance with normal consolidation practice.

#### The Mall Fund

#### Consolidated and combined statement of comprehensive income

For the year to 31 December

	Note	2013 £m	2012 £m	2011 £m
<b>Continuing operations</b>				
Revenue	2	77.4	94.8	117.0
Cost of sales	3	(24.7)	(30.8)	(39.3)
		<b>52.7</b>	<b>64.0</b>	<b>77.7</b>
<b>Gross profit</b>				
Administrative costs		(7.5)	(8.2)	(7.2)
Loss on sale of investment properties	4	(20.0)	(8.1)	(4.3)
Loss on revaluation of investment properties		(2.4)	(40.5)	(4.1)
		<b>22.8</b>	<b>7.2</b>	<b>62.1</b>
<b>Profit on ordinary activities before financing</b>	5			
Finance income	6	0.1	0.1	0.1
Finance costs	7	(10.8)	(25.1)	(47.6)
Fair value adjustment of Units	8	(12.1)	17.8	(14.6)
		<b>—</b>	<b>—</b>	<b>—</b>
<b>Profit before tax</b>				
Tax	1	—	—	—
		<b>—</b>	<b>—</b>	<b>—</b>
<b>Profit after tax</b>				

## The Mall Fund

### Consolidated and combined balance sheet

	Note	31-Dec 2013 £m	31-Dec 2012 £m	31-Dec 2011 £m
<b>Non-current assets</b>				
Investment properties	9	732.3	897.4	935.0
Receivables	10	15.7	16.6	15.6
<b>Total non-current assets</b>		<b>748.0</b>	<b>914.0</b>	<b>950.6</b>
<b>Current assets</b>				
Receivables	10	12.6	84.8	93.0
Cash and cash equivalents		71.8	45.2	43.2
Assets classified as held for sale	9	—	—	84.2
<b>Total current assets</b>		<b>84.4</b>	<b>130.0</b>	<b>220.4</b>
<b>Total assets</b>		<b>832.4</b>	<b>1,044.0</b>	<b>1,171.0</b>
<b>Current liabilities</b>				
Trade and other payables	11	(33.7)	(41.3)	(54.1)
<b>Total current liabilities</b>		<b>(33.7)</b>	<b>(41.3)</b>	<b>(54.1)</b>
<b>Non-current liabilities</b>				
Other payables	12	(13.5)	(37.2)	(41.0)
Obligations under finance leases	14	(65.4)	(65.5)	(65.5)
Long term borrowings	13	(378.6)	(568.5)	(658.2)
Puttable units of the Mall Unit Trust at amortised cost	13	(340.9)	(331.2)	(351.9)
<b>Total non-current liabilities</b>		<b>(798.4)</b>	<b>(1,002.4)</b>	<b>(1,116.6)</b>
<b>Total liabilities</b>		<b>(832.1)</b>	<b>(1,043.7)</b>	<b>(1,170.7)</b>
<b>Net assets</b>		<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Equity</b>				
Share capital	17	—	—	—
Share premium	17	0.3	0.3	0.3
<b>Shareholders' funds of Mall General Partner</b>		<b>0.3</b>	<b>0.3</b>	<b>0.3</b>



## The Mall Fund

### Consolidated and combined statement of changes in equity

	Mall General Partner share premium	Mall General Partner share capital	Unit holders' capital £m	Retained profit £m	Total equity £m
Balance at 31 December 2010	0.3	—	—	—	0.3
Profit for the year	—	—	—	—	—
Balance at 31 December 2011	0.3	—	—	—	0.3
Profit for the year	—	—	—	—	—
Balance at 31 December 2012	0.3	—	—	—	0.3
Profit for the year	—	—	—	—	—
Balance at 31 December 2013	0.3	—	—	—	0.3

### Consolidated and combined cash flow statement

	Note	2013 £m	2012 £m	2011 £m
<b>Operating activities</b>				
Net cash from operations	18	37.3	55.1	54.7
Interest paid		(30.9)	(32.4)	(45.6)
Interest received		0.1	0.1	0.1
<b>Cash flows from operating activities</b>		<b>6.5</b>	<b>22.8</b>	<b>9.2</b>
<b>Investing activities</b>				
Capital expenditure on investment properties		(4.7)	(3.2)	(3.8)
Receipts on sale of investment properties		149.0	76.7	153.6
<b>Cash flows from investing activities</b>		<b>144.3</b>	<b>73.5</b>	<b>149.8</b>
<b>Financing activities</b>				
Payments to Unitholders	8	(2.9)	(6.3)	—
Transfer of monies held on behalf of the bondholders	10	70.1	3.4	(0.9)
Repayment of loans		(191.4)	(91.4)	(165.4)
<b>Cash flows from financing activities</b>		<b>(124.2)</b>	<b>(94.3)</b>	<b>(166.3)</b>
Net increase / (decrease) in cash and cash equivalents		26.6	2.0	(7.3)
Cash and cash equivalents at the beginning of the year		45.2	43.2	50.5
<b>Cash and cash equivalents at the end of the year</b>		<b>71.8</b>	<b>45.2</b>	<b>43.2</b>

## **Notes to the consolidated and combined financial information**

### **1. Accounting Policies**

#### **General information**

The Mall Unit Trust operates a single segment being the ownership and management of UK shopping centres. The Mall Unit Trust is an Expert Fund as regulated by the Jersey Financial Services Commission, which is a collective investment fund established in Jersey and in which only Expert Investors may invest.

#### **Basis of accounting**

The financial information comprises the consolidated and combined statement of comprehensive income, the consolidated and combined balance sheet, the consolidated and combined statement of changes in equity, the consolidated and combined cash flow statement and notes 1 to 21. They are prepared on the historical cost basis except for the revaluation of certain properties and financial instruments. 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.

The financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Mall Fund operates.

#### **Basis of preparation**

The historical financial information incorporate the consolidated financial information of the Mall Unit Trust combined with Mall General Partner. Control is achieved by Mall Unit Trust of its investee entity where it has the power to govern the financial and operating policies so as to obtain benefits from its activities. The consolidation includes the Camberley Main Square Unit Trust, of which Capital & Regional (Mall Jersey) Limited has a minority interest of 0.0073% (2012 and 2011: 0.0073%). The value of this minority interest was not material during the three years 2011, 2012 and 2013.

Although not a subsidiary of the Mall Unit Trust, the assets and liabilities of Mall General Partner are included in the financial statements due to their status as a target entity. Accordingly the historical financial information constitutes consolidated financial information of the Mall Unit Trust aggregated with that of Mall General Partner.

The accounting policies adopted are in line with those included in the accounts of Capital & Regional for the year ended 30th December 2013. The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) except as described below.

In preparing the historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars, as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) (the "Annexure") issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in the following material departures from IFRS. In all other respects IFRS has been applied as described above.

Non-consolidation as a result of the repayment of the loan from Mall Funding plc

On 30 May 2014, £350 million of the Mall Fund Senior Facility was drawn down by the Mall Limited Partnership. Such drawdown, combined with £29.5 million of existing cash resources within the Mall Fund, enabled the Mall Limited Partnership to repay the Mall Funding Loan in full and will allow Mall Funding plc to redeem the Notes in full on 22 July 2014. On repayment of the loan (and any amount payable at the termination of the interest rate swap agreements), the Mall Fund was discharged from its obligations to Mall Funding plc. As such, in accordance with paragraphs 53 of the Annexure, to present the historical financial information relevant for understanding of the Mall Fund, the results of Mall Funding plc have not been consolidated with the Historical Financial Information of the Mall Fund.

#### **Tax**

The Mall Unit Trust is not liable for tax. The tax liabilities incurred on the Mall Unit Trust's profits are included in the individual investors' financial statements.

## **Accounting developments and changes**

### *Developments – during 2013*

In line with the Capital & Regional financial statements for the year ending 30 December 2013, the new standards and amendments that have been issued and adopted by EU and the Group have not resulted in a material change to the consolidated financial information.

### *Developments – not yet adopted*

In line with Capital & Regional's policies adopted in its financial statements for the year ended 30 December 2013, the Mall Fund has not yet adopted certain new standards, amendments and interpretations to existing standards. These pronouncements are listed below:

- IFRS 10 “Consolidated Financial Statements” (effective periods beginning on or after 1 January 2013)
- IFRS 11 “Joint Arrangements” (effective periods beginning on or after 1 January 2013)
- IFRS 12 “Disclosure of Interests in Other Entities” (effective periods beginning on or after 1 January 2013)
- IFRS 13 “Fair Value Measurement” (effective periods beginning on or after 1 January 2013)
- Amendments to IAS 19 “Employee Benefits” (effective periods beginning on or after 1 January 2013)
- Amendments to IAS 27 “Separate Financial Statements” (effective periods beginning on or after 1 January 2013)
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” (effective periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities” (effective periods beginning on or after 1 January 2013)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance” (effective periods beginning on or after 1 January 2013)
- Amendments to IAS 36 “Impairment of Assets” (effective periods beginning on or after 1 January 2014)
- Amendments to IAS 32 “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities” (effective periods beginning on or after 1 January 2014)
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting” (effective periods beginning on or after 1 January 2014)
- IFRS 9 “Financial Instruments” (expected to be effective periods beginning on or after 1 January 2018).

## **Going concern**

The Mall Fund 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, anticipated future market conditions and principal risks and uncertainties were considered. The trustees of the Mall Unit Trust believe there are adequate resources to continue in operational existence for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the financial information. The Mall Fund agreed a five year loan facility on 30 May 2014. This facility was utilised to repay its existing debt due to Mall Funding plc on 30 May 2014. As part of the refinancing process, Mall General Partner reviewed the terms of the new loan including its covenants and concluded that there was sufficient headroom under the new facility for the Mall Fund to continue in operational existence for the foreseeable future.

## **Critical accounting judgements and key sources of estimation**

The preparation of financial information requires the trustees of the Mall Unit Trust 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, apart from those involving estimation uncertainty which are dealt with separately, that the trustees of the Mall Unit Trust have made in the process of applying the Mall Fund's accounting policies and that have the most significant effect on the amounts recognised in the financial information. The critical accounting judgements are:

#### *Property valuation*

The trustees of the Mall Unit Trust's assessment of the fair value of investment properties is based on the work undertaken by independent professional qualified valuers.

#### *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 trustees of the Mall Unit Trust have determined that all such leases are operating leases.

#### *Derivative financial instruments*

The assessment of the fair value of the Mall Fund derivative financial instruments is based on the work undertaken by independent third party experts.

### **Assets held for sale**

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. 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.

### **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 four times 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 sale 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.

#### *Head leases*

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

### *Tenant leases and incentives*

Incentives and costs associated with entering into tenant leases are amortised over a straight line basis over the term of the lease.

### **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 Mall Fund 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.

#### *The Mall Fund as lessee*

Assets held under finance leases are recognised as assets of the Mall Fund 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 Mall Fund's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the Mall Fund's balance sheet when the Mall Fund 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), 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 Mall Fund 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 income, using estimates based on existing contractual obligations, historical trends and the Mall Fund'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'. The Mall Unit Trust's units are considered to be puttable instruments, as the holders of the units are entitled to retire and redeem their units at the point of a vote to extend the life of partnership and to realise their share (on *pro-rata* basis) of the net asset value of the Mall Fund. Further, as The Mall Unit Trust has an obligation to pass on all of its annual income to its Unitholders, these units have been accounted for as a financial liability. The units have been measured as at the end of each financial year based on the amortised cost.

### *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.

### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each 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. 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 amortised cost, with any gains or losses arising on re-measurement recognised in the income statement.

### **Revenue**

#### *Gross rental income*

Gross rental income is rental income in 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.

### **Finance costs**

All borrowing costs are recognised under finance costs in the income statement in the period in which they are incurred. Finance costs also include the amortisation of loan issue costs and any loss in the value of the Mall Fund's wholly-owned interest rate swaps.

### **Operating segment**

The Mall Unit Trust operates a single segment being the ownership and management of UK shopping centres.



## 2 Revenue

	2013 £m	2012 £m	2011 £m
Gross rental income	55.6	66.4	81.1
Leasing and surrender premiums	—	0.2	0.4
Ancillary income	9.6	10.9	13.9
	65.2	77.5	95.4
Service charge income	12.2	17.3	21.6
	<u>77.4</u>	<u>94.8</u>	<u>117.0</u>

## 3 Cost of Sales

	2013 £m	2012 £m	2011 £m
Legal and professional fees	2.8	2.2	3.0
Irrecoverable service charge costs	4.2	4.3	5.3
Promotions	0.7	0.8	1.0
Car park operations	3.3	4.1	4.5
Bad and doubtful debts	0.9	1.3	1.2
Other	0.6	0.8	2.7
	12.5	13.5	17.7
Service charge costs	12.2	17.3	21.6
	<u>24.7</u>	<u>30.8</u>	<u>39.3</u>

## 4 Profit / (loss) on sale of investment properties

		Profit / (Loss) on Sale			
	Sale Date	Sale Price £m	2013 £m	2012 £m	2011 £m
The Galleries Shopping Centre, Bristol	14 Jan 2011	50.2			(0.8)
The Alhambra Shopping Centre, Barnsley	16 Sept 2011	26.2			0.2
Cleveland Shopping Centre, Middlesbrough	16 Sept 2011	82.0			(3.9)
Castle Mall Shopping Centre, Norwich	11 July 2012	77.3		(8.4)	
The Gracechurch Centre, Sutton Coldfield	11 July 2013	87.9	(8.3)		
The Pavillions, Uxbridge	11 July 2013	64.5	(11.8)		
Other			0.1	0.3	0.2
			<u>(20.0)</u>	<u>(8.1)</u>	<u>(4.3)</u>

The losses arise by reference to the carrying value at the year-end prior to the date of sale.

## 5 Profit on ordinary activities before financing

Profit on ordinary activities before financing is stated after charging :

	2013 £m	2012 £m	2011 £m
Fund manager's, operator's, and property manager's fees	6.9	6.6	6.4

The auditors remuneration for the audit of the financial statements was 2013 £49k, 2012 £53k, 2011 £52k.

## 6 Interest receivable

	2013 £m	2012 £m	2011 £m
Bank and other interest	0.1	0.1	0.1

## 7 Finance Costs

	2013 £m	2012 £m	2011 £m
Amortisation of deferred loan arrangement fees	(1.4)	(1.7)	(3.3)
Bank and Mall Funding plc loans	(19.7)	(27.9)	(40.7)
Gain in fair value of financial instruments	13.9	8.1	0.1
Finance lease costs	(3.6)	(3.6)	(3.7)
	<u>(10.8)</u>	<u>(25.1)</u>	<u>(47.6)</u>

## 8 Amortised cost adjustment on Units

	2013 £m	2012 £m	2011 £m
Amortised cost of movement of Units	12.1	(17.8)	14.6
Due to Unitholders at 1 January	2.9	6.3	—
Paid to Unitholders during the year	(2.9)	(6.3)	—
Payable to Unitholders at 31 December	(2.4)	(2.9)	(6.3)
	<u>(2.4)</u>	<u>(2.9)</u>	<u>(6.3)</u>
Movement in Unit value	<u>9.7</u>	<u>(20.7)</u>	<u>(8.3)</u>

## 9 Investment Properties

	Freehold £m	Long leasehold £m	Total £m
Net book value 1 January 2011	606.0	582.9	1,188.9
Additions at cost	2.0	1.1	3.1
Disposals	(81.6)	(87.1)	(168.7)
Revaluation gain / (loss)	(14.0)	9.9	(4.1)
Transfer to assets held for sale	(84.2)	—	(84.2)
Net book value at 31 December 2011	<u>428.2</u>	<u>506.8</u>	<u>935.0</u>

At 31 December 2011 the Castle Mall Shopping Centre, Norwich, was held for sale and subsequently sold in 2012 (see note 4).

	Freehold £m	Long leasehold £m	Total £m
Net book value 1 January 2012	428.2	506.8	935.0
Additions at cost	1.4	1.5	2.9
Disposals	(0.2)	0.2	—
Revaluation loss	(13.2)	(27.3)	(40.5)
Net book value at 31 December 2012	<u>416.2</u>	<u>481.2</u>	<u>897.4</u>

	<b>Freehold £m</b>	<b>Long leasehold £m</b>	<b>Total £m</b>
Net book value 1 January 2013	416.2	481.2	897.4
Additions at cost	0.1	2.9	3.0
Disposals	(91.1)	(74.6)	(165.7)
Revaluation gain / (loss)	(10.1)	7.7	(2.4)
Net book value at 31 December 2013	<u>315.1</u>	<u>417.2</u>	<u>732.3</u>

## 10 Receivables

	<b>2013 £m</b>	<b>2012 £m</b>	<b>2011 £m</b>
<b>Amounts falling due within one year:</b>			
<b>Financial assets</b>			
Trade debtors	4.3	4.6	6.2
Other debtors	3.6	75.1	82.6
<b>Non-derivative financial assets</b>	<u>7.9</u>	<u>79.7</u>	<u>88.8</u>
<b>Non-financial assets</b>			
Tenant incentives	1.0	1.0	0.9
Unamortised rent free periods	1.1	1.2	0.5
Prepayments and accrued income	2.6	2.9	2.8
	<u>4.7</u>	<u>5.1</u>	<u>4.2</u>
	<u>12.6</u>	<u>84.8</u>	<u>93.0</u>
<b>Amounts falling due after one year:</b>			
<b>Non-financial assets</b>			
Unamortised tenant incentives	6.2	5.8	5.9
Unamortised rent free periods	9.5	10.8	9.7
	<u>15.7</u>	<u>16.6</u>	<u>15.6</u>

The Mall Fund's debt with Mall Funding plc (an entity outside the Mall Fund) was restructured in July 2010. As a result of the restructure the trustee for the noteholders took control of the Mall Limited Partnership's bank and cash balances. Further, the Mall Unit Trust and Mall Limited Partnership were restricted from making distributions until both the debt outstanding was less than £600 million and its loan to property value was less than 60 per cent.

Following the exit from these restrictions the trustee has relinquished control over the bank accounts and released all cash back to the Mall Limited Partnership. As a result £70.1 million was shown in debtors in 2012 (2011: £73.5 million) but is reflected under cash at bank in 2013.

Other debtors in 2012 also included £3.0 million deferred consideration relating to warranties given to the purchaser of Bexleyheath in 2009, which were secured by cash held in escrow and repaid to the Mall Limited Partnership in 2013.

Trade receivables comprise amounts owed by tenants of the Mall Fund's wholly-owned properties. Before accepting a new tenant, a review of its creditworthiness is carried out using an external credit scoring system and other publicly available financial information. Included in the non-derivative financial assets balance are receivables with a carrying amount of £4.3 million (2012: £4.6 million, 2011: £6.2 million) which are past due at the reporting date for which the Mall Fund has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Mall Fund holds collateral of £0.6 million (2012: £0.7 million, 2011: £0.8 million) over trade receivables as security deposits held in bank accounts under the Mall Fund's control.

## Analysis of non-derivative current financial assets

	2013 £m	2012 £m	2011 £m
Not past due	3.6	75.1	82.6
Past due but not individually impaired:			
0-3 months	3.9	4.0	5.5
3-6 months	0.2	0.4	0.3
6-9 months	0.1	—	0.1
Over 9 months	0.1	0.2	0.3
	<u>7.9</u>	<u>79.7</u>	<u>88.8</u>

	2013 £m	2012 £m	2011 £m
At the start of the year	1.1	2.3	2.8
Additional allowances created	0.9	1.1	1.2
Utilised during the year	(1.1)	(2.3)	(1.7)
At the end of the year	<u>0.9</u>	<u>1.1</u>	<u>2.3</u>

## 11 Current liabilities

	2013 £m	2012 £m	2011 £m
<b>Financial liabilities</b>			
Trade creditors	1.8	2.0	2.0
Distribution payable	2.4	2.9	6.3
Other creditors	7.8	9.2	6.9
Accruals	11.6	14.8	17.7
Non-derivative financial liabilities	23.6	28.9	32.9
Financial instruments at fair value	—	—	6.6
	<u>23.6</u>	<u>28.9</u>	<u>39.5</u>
<b>Non-financial liabilities</b>			
Deferred income	10.1	12.4	14.6
	<u>33.7</u>	<u>41.3</u>	<u>54.1</u>

## 12 Other payables

	2013 £m	2012 £m	2011 £m
Financial liabilities carried at fair value through profit or loss:			
Derivatives			
Financial instruments at fair value	13.5	37.2	41.0
	<u>13.5</u>	<u>37.2</u>	<u>41.0</u>

### 13 Long term borrowing

	2013 £m	2012 £m	2011 £m
Loan with Mall Funding plc	379.5	570.8	662.3
Unamortised loan arrangement fees	(0.9)	(2.3)	(4.1)
Puttable units of the Mall Unit Trust carried at amortised cost	340.9	331.2	351.9
	<u>719.5</u>	<u>899.7</u>	<u>1,010.1</u>

The Mall Fund 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 during the years ended 31 December 2011, 2012 and 2013.

For January to June 2011 the rate payable was at base rate plus 0.18 per cent. margin, and thereafter base rate plus 0.68 per cent. The base rate element was hedged via two swaps at rates of 4.18 per cent. and 4.87 per cent. from January 2011 to April 2012 and then at 4.18 per cent. and 3.18 per cent. thereafter.

Financial liabilities carried at amortised cost reflect the amortised cost of the units of the Mall Unit Trust at the balance sheet date, which has been determined to be a financial liability. The financial liability arises due to the unitholders having rights to redeem their units in the Mall Unit Trust, and that the Mall Unit Trust has an obligation to pay out its net income received from the Mall Limited Partnership to the Unitholders. The right to redeem Units is next exercisable following the next scheduled extension vote in July or August 2016. The redemption of the Units by the Mall Unit Trust follows the issue of a retirement notice by a Unitholder, whereby the Unitholder's units must be offered for sale to the other Unitholders. In the event that these Units are not purchased by other unitholders the Mall Unit Trust would be obliged instruct the Mall Limited Partnership to provide financial resources to the Mall Unit Trust through the realisation of assets, or through refinancing, for the purpose of financing the redemption of the relevant Units. During all three years ended 31 December 2011, 2012 and 2013 the Mall Unit Trust had 942,149,254 Units in issue.

#### 13a Borrowings at amortised cost

	2013 £m	2012 £m	2011 £m
<b>Secured</b>			
Fixed and swapped loans	379.5	570.8	662.3
Unamortised issue costs	(0.9)	(2.3)	(4.1)
Financial liabilities carried at amortised cost	340.9	331.2	351.9
Total borrowings after costs	<u>719.5</u>	<u>899.7</u>	<u>1,010.1</u>
Analysis of total borrowings after costs			
Current	—	—	—
Non-current	719.5	899.7	1,010.1
Total borrowings after costs	<u>719.5</u>	<u>899.7</u>	<u>1,010.1</u>

#### 13b Maturity of borrowings

	2013 £m	2012 £m	2011 £m
From two to five years	340.9	902.0	1,014.2
From one to two years	379.5	—	—
Due after more than one year	<u>720.4</u>	<u>902.0</u>	<u>1,014.2</u>

There were no undrawn committed facilities in 2011, 2012, or 2013

### 13c Interest rate profile of borrowings

	2013 £m	2012 £m	2011 £m
Fixed and swapped rate borrowings	379.5	570.8	662.3
Floating rate borrowings	—	—	—
	<u>379.5</u>	<u>570.8</u>	<u>662.3</u>

### 14 Finance lease arrangements

#### The Mall Fund as lessee

##### Minimum lease payments under finance leases falling due

	2013 £m	2012 £m	2011 £m
Within one year	3.6	3.6	3.6
Between one and two years	3.6	3.6	3.6
Greater than two years	412.8	416.5	420.1
	<u>420.0</u>	<u>423.7</u>	<u>427.3</u>
Future finance charges on finance leases	(354.6)	(358.2)	(361.8)
	<u>65.4</u>	<u>65.5</u>	<u>65.5</u>

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.

### 15 Operating lease arrangements

#### The Mall Fund as lessor

##### Minimum lease rental payments receivable from tenants falling due

	2013 £m	2012 £m	2011 £m
Less than one year	50.2	62.9	79.2
2-5 Years	148.3	189.4	245.2
6-10 Years	103.6	124.7	157.8
11-15 Years	38.2	48.5	57.2
16-20 Years	24.4	29.5	29.8
More than 20 years	104.6	130.9	132.2
	<u>469.3</u>	<u>585.9</u>	<u>701.4</u>
Unexpired average lease term	<u>8.3</u>	<u>8.2</u>	<u>8.4</u>



## 16 Financial instruments and risk management

The Mall Unit Trust manages its capital to ensure that all entities under its control will be able to trade as going concerns while maximising the returns to unitholders.

	2013 £m	2012 £m	2011 £m
Debt before unamortised issue costs	379.5	570.8	662.3
Cash and cash equivalents	(71.8)	(45.2)	(43.2)
Group net debt	307.7	525.6	619.1
Mall GP share premium	0.3	0.3	0.3
Puttable units in the Mall Unit Trust at amortised cost*	340.9	331.2	351.9
Pro forma equity	341.2	331.5	352.2
Debt to <i>pro forma</i> equity ratio	111%	172%	188%
Net debt to <i>pro forma</i> equity ratio	90%	159%	176%

\* For the purposes of this disclosure the units in the Mall Unit Trust have been treated as if they were classified as equity so as to show the debt and equity ratios in relation to third party borrowings only

### Categories of financial assets / (liabilities)

	Note	2013 £m	2012 £m	2011 £m
Current receivables	10	7.9	79.7	88.8
Cash and cash equivalents		71.8	45.2	43.2
Total financial assets		79.7	124.9	132.0
Current financial liabilities	11	(23.6)	(28.9)	(32.9)
Current interest rate swaps	11	—	—	(6.6)
Finance lease liabilities	14	(65.4)	(65.5)	(65.5)
Non-current borrowings	13a	(720.4)	(902.0)	(1,014.2)
Liabilities		(809.4)	(996.4)	(1,119.2)
Non-current interest rate swaps	12	(13.5)	(37.2)	(41.0)
Total financial liabilities		(822.9)	(1,033.6)	(1,160.2)

### Interest rate risk

The Mall Fund raised its loans on a floating rate basis and manages the risk through the use of interest rate swaps and caps.

The following tables show a summary of the Mall Fund's interest rate swap and interest rate cap contracts and their maturity dates

#### As at 31 December 2011

	Maturity date	Notional principal £m	Contract fixed rate %	Fair value £m	Gain / (loss) to income
Interest rate swap	24 April 2012	557.2	4.87	(6.6)	28.4
Interest rate swap	22 April 2015	105.1	4.18	(14.3)	(3.5)
Interest rate swap*	22 April 2015	450.0	3.18	(26.7)	(23.0)
Interest rate cap	22 January 2015	47.5	4.83	0.1	(1.2)
Interest rate cap	22 January 2015	15.8	4.83	—	(0.4)

\* The start date of this swap was 24 April 2012

**As at 31 December 2012**

	<b>Maturity date</b>	<b>Notional principal £m</b>	<b>Contract fixed rate %</b>	<b>Fair value £m</b>	<b>Gain / (loss) to income</b>
Interest rate swap	22 April 2015	142.7	4.18	(11.8)	1.8
Interest rate swap	22 April 2015	428.2	3.18	(25.3)	(0.2)

**As at 31 December 2013**

	<b>Maturity date</b>	<b>Notional principal £m</b>	<b>Contract fixed rate %</b>	<b>Fair value £m</b>	<b>Gain / (loss) to income</b>
Interest rate swap	22 April 2015	94.9	4.18	(4.3)	4.4
Interest rate swap	22 April 2015	284.6	3.18	(9.2)	9.5

**Sensitivity analysis**

The following table shows the Mall Unit Trust's sensitivity to a 1 per cent. increase or decrease in interest rates. The income statement impact includes the effect of a 1 per cent. increase or decrease on the market value of interest rate swaps.

	<b>1% increase in interest rates £m</b>	<b>1% decrease in interest rates £m</b>
<b>Year to 31 December 2011</b>		
Interest rate swap gain / (loss)	19.9	(19.9)
Impact on the income statement – gain / (loss)	19.9	(19.9)
Impact on equity – gain / (loss)	19.9	(19.9)
<b>Year to 31 December 2012</b>		
Interest rate swap gain / (loss)	13.2	(13.2)
Impact on the income statement – gain / (loss)	13.2	(13.2)
Impact on equity – gain / (loss)	13.2	(13.2)
<b>Year to 31 December 2013</b>		
Interest rate swap gain / (loss)	4.8	(4.8)
Impact on the income statement – gain / (loss)	4.8	(4.8)
Impact on equity – gain / (loss)	4.8	(4.8)

**Credit risk**

The Mall Fund's principal financial assets are receivables and bank and cash balances. Credit risk is principally the risk that a counterparty, normally a tenant, will default on its contractual obligations resulting in financial loss. This risk is mitigated by the regular monitoring of credit ratings for existing significant tenants and through credit assessments being undertaken in relation to incoming tenants.

The credit risk on balances at bank and on derivative financial instruments is limited because the counterparties are banks with high credit ratings.

**Currency risk**

The Mall Fund invests solely in the United Kingdom and all transactions including distributions are made in Sterling. As a result there is no currency risk.

### Liquidity risk

Liquidity risk reflects the risk that the Mall Fund will have insufficient resources to meet its financial liabilities as they fall due. The Fund's primary means of managing this risk is the maintenance of high levels of cash and bank balances.

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.

2011	Note	Effective interest rate %	Less than 1 year £m	1-2 years £m	More than 2 years £m	Total £m
<b>Financial assets</b>						
Current receivables	10		88.8	—	—	88.8
Cash and cash equivalents			43.2	—	—	43.2
			<u>132.0</u>	<u>—</u>	<u>—</u>	<u>132.0</u>
<b>Financial liabilities</b>						
Borrowings – fixed and swapped bank loans	13b	5.32	—	—	(662.3)	(662.3)
Current payables	11		(15.2)	—	—	(15.2)
			<u>(15.2)</u>	<u>—</u>	<u>(662.3)</u>	<u>(677.5)</u>
			<u><u>(15.2)</u></u>	<u><u>—</u></u>	<u><u>(662.3)</u></u>	<u><u>(677.5)</u></u>
2012	Note	Effective interest rate %	Less than 1 year £m	1-2 years £m	More than 2 years £m	Total £m
<b>Financial assets</b>						
Current receivables	10		79.7	—	—	79.7
Cash and cash equivalents			45.2	—	—	45.2
			<u>124.9</u>	<u>—</u>	<u>—</u>	<u>124.9</u>
<b>Financial liabilities</b>						
Borrowings – fixed and swapped bank loans	13b	4.11	—	—	(570.8)	(570.8)
Current payables	11		(14.1)	—	—	(14.1)
			<u>(14.1)</u>	<u>—</u>	<u>(570.8)</u>	<u>(584.9)</u>
			<u><u>(14.1)</u></u>	<u><u>—</u></u>	<u><u>(570.8)</u></u>	<u><u>(584.9)</u></u>
2013	Note	Effective interest rate %	Less than 1 year £m	1-2 years £m	More than 2 years £m	Total £m
<b>Financial assets</b>						
Current receivables	10		7.9	—	—	7.9
Cash and cash equivalents			71.8	—	—	71.8
			<u>79.7</u>	<u>—</u>	<u>—</u>	<u>79.7</u>
<b>Financial liabilities</b>						
Borrowings – fixed and swapped bank loans	13b	4.11	—	(379.5)	—	(379.5)
Current payables	11		(12.0)	—	—	(12.0)
			<u>(12.0)</u>	<u>(379.5)</u>	<u>—</u>	<u>(391.5)</u>
			<u><u>(12.0)</u></u>	<u><u>(379.5)</u></u>	<u><u>—</u></u>	<u><u>(391.5)</u></u>

### *Fair values of financial instruments*

The book value and fair value of the Mall Fund's interest rate swaps and caps are the same for each of the years 2011 to 2013.

### *Fair value measurements included 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:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<b>2013</b> <b>£m</b>	<b>2012</b> <b>£m</b>	<b>2011</b> <b>£m</b>
<b>Financial liabilities</b>			
Level 2			
Interest rate swaps	13.5	37.2	47.6

### **17 Mall General Partner capital**

	<b>2013</b> <b>£m</b>	<b>2012</b> <b>£m</b>	<b>2011</b> <b>£m</b>
<b>Mall General Partner Limited</b>			
Share capital	—	—	—
Share premium account	0.3	0.3	0.3
Total capital	0.3	0.3	0.3

	<b>2013</b> <b>£m</b>	<b>2012</b> <b>£m</b>	<b>2011</b> <b>£m</b>
No of shares in Mall General Partner	1,000	1,000	1,000

## 18 Notes to the statement of cash flows

### Reconciliation of operating profit to net cash inflow from operating activities

	2013 £m	2012 £m	2011 £m
Profit on ordinary activities before financing	22.8	7.2	62.1
Adjusted for:			
Loss on revaluation of properties	2.4	40.5	4.1
Loss on sale of properties	20.0	8.1	4.3
Head lease adjustments	(3.6)	(3.6)	(3.6)
Decrease / (increase) in debtors	0.2	5.0	(0.2)
Decrease in creditors	(4.5)	(2.1)	(12.0)
Net cash from operations	37.3	55.1	54.7

### 19 Capital commitments

	2013 £m	2012 £m	2011 £m
Capital commitments as at 31 December	1.6	2.4	2.4

### Contingent liabilities

The Mall Limited Partnership pays performance fees to the Capital & Regional Property Manager for providing property and asset management services and Aviva Investors for providing fund management services. A new performance fee was agreed by Mall General Partner, the managers and approved by the Obligor Security Trustee on behalf of the bondholders. The legal documentation was completed in April 2013. This new performance fee will only be payable at the end of the life of the Mall Fund or on an exit event. An exit event is defined as a listing, sale of all of the interests in the Mall Fund, or the making of a cash offer for the purchase of all the Units which is accepted by the holders of at least 50 per cent. of the Units and becomes unconditional. Payment will be based on property level outperformance (taking the 30 June 2010 valuation as the start point) relative to the IPD Shopping Centre Index (excluding the Mall Fund), of more than 50 basis points provided always that the Mall Fund level return is greater than 0 per cent. The current estimate of fees that would be payable if the fee had been triggered at 31 December 2013 is £12.9 million.

### 20 Related party transactions

	2013 £m	2012 £m	2011 £m
<b>Aviva Investors Global Services Limited</b>			
Operators fees	0.2	0.2	0.2
Fund management fees	1.8	1.8	1.8
Outstanding at 31 December	0.6	0.8	0.7
<b>Capital &amp; Regional Property Management Ltd</b>			
Property and asset management fees	4.1	4.6	4.4
Outstanding at 31 December	0.9	1.7	1.0

Aviva Investors provides operator and fund management services to the Mall Unit Trust. The ultimate parent company of Aviva Investors is Aviva plc. Funds managed by Aviva plc had an interest in the Mall Unit Trust of 52.0 per cent. at as 31 December 2011, 2012 and 2013.

The Capital & Regional Property Manager provides property and asset management services to the Mall Unit Trust. The ultimate parent company of the Capital & Regional Property Manager is Capital & Regional. Capital & Regional had an interest in the Mall Unit Trust of 18.2 per cent. as

at 31 December 2011, 20.1 per cent. at 31 December 2012 and 29.3 per cent. as at 31 December 2013

#### **21. Post balance sheet events**

On 30 May 2014, the Mall Fund entered into a new £350 million five year loan and £25 million capital expenditure facility and on the same date repaid the outstanding debt due to Mall Funding plc.



## SECTION B: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON THE MALL FUND

Deloitte LLP,  
New Street Square,  
London,  
EC4A 3TR

The Board of Directors  
on behalf of Capital & Regional plc  
52 Grosvenor Gardens,  
London  
SW1W 0AU

J.P. Morgan Securities plc  
25 Bank Street  
Canary Wharf  
London  
E14 5JP

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

23 June 2014

Dear Sirs

### **The Mall Fund**

We report on the financial information for the three years ended 31 December 2013 set out in Section A of Part X of the prospectus dated 23 June 2014 (the "**Prospectus**") relating to The Mall Fund (being the Mall Unit Trust together with its subsidiaries and, in combination with the Mall General Partner, the "**Target Group**"). This financial information has been prepared for inclusion in the Prospectus on the basis of preparation set out in note 1 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

### **Responsibilities**

The Directors of Capital & Regional plc (the "**Company**") are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Target Group as at 31 December 2011, 31 December 2012 and 31 December 2013 and of its profits, cash flows and changes in equity for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 and has been prepared in a form that is consistent with the basis of preparation set out in note 1 to the financial information.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

Chartered Accountants

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

## PART XI

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited *pro forma* statement of net assets and *pro forma* income statement (the “**Pro Forma Financial Information**”) have been prepared to show the effect on the consolidated net assets of the Group as if the Acquisition had occurred on 30 December 2013 and on the income statement of the Group as if the Acquisition had occurred on 31 December 2012.

The Pro Forma Financial Information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation, and should be read in conjunction with the notes set out below. Due to its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Group’s or the Enlarged Group’s actual financial position or results.

The *pro forma* statement of net assets set out below is based on the audited consolidated balance sheet of the Group as at 30 December 2013 (as incorporated by reference in Part IX (*Historical Financial Information on Capital & Regional*) of this document) adjusted to reflect the net assets of the Mall Fund as at 31 December 2013 presented in accordance with the Company’s accounting policies (and other adjustments as described in the notes below).

The *pro forma* income statement set out below is based on the audited consolidated income statement of the Group for the year ending 30 December 2013 (as incorporated by reference in Part IX (*Historical Financial Information on Capital & Regional*) of this document) adjusted to reflect the net income of the Mall Fund for the year ending 31 December 2013 presented in accordance with the Company’s accounting policies (and other adjustments as described in the notes below).

Shareholders and prospective investors should read the whole of this document and not rely solely on the summarised financial information contained in this Part XI (*Unaudited Pro Forma Financial Information*).

The Accountant’s Report on the Pro Forma Financial Information is set out in Section B of this Part XI.

## Unaudited pro forma consolidated net assets<sup>1</sup>

	<i>Adjustments</i>						
	Capital & Regional Consolidated net assets at 30 December 2013 <sup>2</sup> £m	Net assets of Mall Fund at 31 December 2013 <sup>3</sup> £m	Reverse Mall Fund share in existing Capital & Regional net assets <sup>4</sup> £m	Eliminate inter-group trading <sup>5</sup> £m	Capital raise <sup>6</sup> £m	Acquisition <sup>7</sup> £m	
<b>Non-current assets</b>							
Investment properties	—	732.3	—	—	—	—	732.3
Plant and equipment	0.7	—	—	—	—	—	0.7
Receivables	22.8	15.7	—	—	—	—	38.5
Investments in associates	112.1	—	(100.4)	—	—	—	11.7
Investments in joint ventures	32.3	—	—	—	—	—	32.3
<b>Total non-current assets</b>	<b>167.9</b>	<b>748.0</b>	<b>(100.4)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>815.5</b>
<b>Current assets</b>							
Receivables	6.8	12.6	—	(1.2)	—	—	18.2
Cash and cash equivalents	11.1	71.8	—	—	161.1	(164.8)	79.2
Assets classified as held for sale	8.5	—	—	—	—	—	8.5
<b>Total current assets</b>	<b>26.4</b>	<b>84.4</b>	<b>—</b>	<b>(1.2)</b>	<b>161.1</b>	<b>(164.8)</b>	<b>105.9</b>
<b>Total assets</b>	<b>194.3</b>	<b>832.4</b>	<b>(100.4)</b>	<b>(1.2)</b>	<b>161.1</b>	<b>(164.8)</b>	<b>921.4</b>
<b>Current liabilities</b>							
Trade and other payables	(4.3)	(33.7)	—	1.2	—	—	(36.8)
Current tax liabilities	(0.2)	—	—	—	—	—	(0.2)
Liabilities directly associated with assets held for sale	(0.1)	—	—	—	—	—	(0.1)
<b>Total current liabilities</b>	<b>(4.6)</b>	<b>(33.7)</b>	<b>—</b>	<b>1.2</b>	<b>—</b>	<b>—</b>	<b>(37.1)</b>
Loans	—	(378.6)	—	—	—	(44.2)	(422.8)
Financial liabilities (Units)	—	(340.9)	—	—	—	314.0	(26.9)
Other non-current liabilities	(1.0)	(78.9)	—	—	—	(12.0)	(91.9)
<b>Total non-current liabilities</b>	<b>(1.0)</b>	<b>(798.4)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>257.8</b>	<b>(541.6)</b>
<b>Total liabilities</b>	<b>(5.6)</b>	<b>(832.1)</b>	<b>—</b>	<b>1.2</b>	<b>—</b>	<b>257.8</b>	<b>(578.7)</b>
<b>Net assets</b>	<b>188.7</b>	<b>0.3</b>	<b>(100.4)</b>	<b>—</b>	<b>161.1</b>	<b>93.0</b>	<b>342.7</b>

1 See Note 1 overleaf.

## Unaudited pro forma income statement<sup>1</sup>

	<i>Adjustments</i>					<b>Pro forma Consolidated net income<sup>15</sup></b>
	<b>Capital &amp; Regional Consolidated net income statement for the year to 30 December 2013<sup>9</sup></b>	<b>Net income statement of Mall Fund for the year to 31 December 2013<sup>10</sup></b>	<b>Remove Mall Fund's results in existing Capital &amp; Regional net income<sup>11</sup></b>	<b>Eliminate inter-group trading<sup>12</sup></b>	<b>Acquisition<sup>13</sup></b>	
	£m	£m	£m	£m	£m <sup>14</sup>	£m
<b>Continuing operations</b>						
Revenue	17.6	77.4	—	(4.6)	—	90.4
Cost of sales	(8.0)	(24.7)	—	0.5	—	(32.2)
<b>Gross profit</b>	<b>9.6</b>	<b>52.7</b>	<b>—</b>	<b>(4.1)</b>	<b>—</b>	<b>58.2</b>
Administrative costs	(11.5)	(7.5)	—	4.1	(3.3)	(18.2)
Share of profit in associates and joint ventures	10.0	—	(4.3)	—	—	5.7
Loss on sale of investment properties	—	(20.0)	—	—	—	(20.0)
Loss on revaluation of investment properties	—	(2.4)	—	—	—	(2.4)
Other gains	1.0	—	—	—	—	1.0
<b>Profit on ordinary activities before financing</b>	<b>9.1</b>	<b>22.8</b>	<b>(4.3)</b>	<b>—</b>	<b>(3.3)</b>	<b>24.3</b>
Finance income	0.8	0.1	—	—	—	0.9
Finance costs	(0.6)	(10.8)	—	—	—	(11.4)
Fair value adjustment of Units	—	(12.1)	—	—	11.1	(1.0)
<b>Profit before tax</b>	<b>9.3</b>	<b>—</b>	<b>(4.3)</b>	<b>—</b>	<b>7.8</b>	<b>12.8</b>
Tax credit	0.2	—	—	—	—	0.2
<b>Profit for the year from continuing operations</b>	<b>9.5</b>	<b>—</b>	<b>(4.3)</b>	<b>—</b>	<b>7.8</b>	<b>13.0</b>
<b>Discontinued operations</b>						
Loss for the year from discontinued operations	(0.4)	—	—	—	—	(0.4)
<b>Profit for the year</b>	<b>9.1</b>	<b>—</b>	<b>(4.3)</b>	<b>—</b>	<b>7.8</b>	<b>12.6</b>

### Explanatory notes to the Pro forma Financial Information

- The Pro Forma Financial Information does not constitute statutory accounts within the meaning of section 434 of the Companies Act, and no adjustment has been made to take account of trading, expenditure or other movements subsequent to 30 December 2013 (31 December 2013 for the Mall Fund), being the date at which the latest financial information was prepared, and therefore the refinancing of the Mall Fund debt that took place on 30 May 2014 has not been reflected. The Pro Forma Financial Information assumes that on completion of the Acquisition Capital & Regional owned 91.82 per cent. of the Mall Unit Trust.
- This column represents the consolidated net assets of the Group at 30 December 2013, extracted, without material adjustment from the audited financial statements of the Group for the year ended 30 December 2013 incorporated by reference in Part IX (*Historical Financial Information on Capital & Regional*) of this document.
- This column represents the consolidated and combined net assets of the Mall Fund at 31 December 2013, extracted, without material adjustment from the audited consolidated and combined financial information of the Mall Fund for the year ended 31 December 2013 included in Part X (*Historic Financial Information on the Mall Fund*) of this document.
- This column represents the adjustment made to remove from the Group's net assets at 30 December 2013 the share of its investment in an associate that relates to the Mall Fund as after the transaction the Group will consolidate the results of the Mall Fund as a subsidiary instead of equity accounting for them as an associate.
- This column represents the adjustment made to eliminate outstanding trading balances between the Mall Fund and the Capital & Regional Property Manager, a subsidiary of the Group, as these will eliminate on consolidation following completion of the Acquisition.
- This column represents the net cash that will be raised from the Capital Raising, being £165 million less expected costs of the equity raise of £3.9 million.
- This column represents the expected cash consideration pursuant to the Acquisition of £205.7 million (£171.1 million paid to the Aviva Sellers, £34.5 million paid to Karoo and £0.1 million paid to Aviva GP) and £3.3 million of associated transaction costs in addition to those directly related to the Capital Raising of £3.9 million. The £209.0 million is accounted to be funded through available cash of £164.8 million (following completion of the Capital Raising) and a drawdown of £44.2 million under the 2014 Amended and Restated Revolving Credit Facility. The actual amount drawn down is expected to be approximately £32 million as cash proceeds received since 30 December 2013 from the disposal of Leisure World, Hemel Hempstead and German assets have increased available cash from the year end date. In addition £7.4 million of existing cash is required to be paid and maintained in escrow for the performance fee under the terms of the Acquisition. The adjustment to other non-current liabilities represents the recognition of a performance fee liability of £11.8 million within the Mall Fund (which is offset by a £5.9 million receivable within Capital & Regional) and a further liability of £6.1 million which has been recognised in respect of the potential obligation assumed by the Group to pay a rebate of certain amounts received by it under the Mall Fund Property Management Agreement. As a result of the accounting for Units as a financial liability rather than equity, the acquisition of Units by the Group is shown as a repayment of this liability.
- This column represents the sum of the preceding columns and represents the *pro forma* net assets of the Group as at 30 December 2013 assuming the Acquisition had completed on that date.

9. This column represents the consolidated income statement of the Group for the year ended 30 December 2013, extracted without material adjustment from the audited financial statements of the Group for the financial year ended 30 December 2013 incorporated by reference in Part IX (*Historical financial information on Capital & Regional*) of this document.
10. This column represents the consolidated and combined statement of comprehensive income of the Mall Fund for the year ended 31 December 2013, extracted, without material adjustment from the financial information of the Mall Fund for the financial year ended 31 December 2013 included in Part X (*Historical financial information on the Mall Fund*) of this document.
11. This column represents the adjustment made to remove from the Group's net income statement for the year ended 30 December 2013 the share of profit in associates and joint ventures that relates to the Mall Fund, as following completion of the Acquisition the Group will consolidate the results of the Mall Fund instead of equity accounting for them as an associate.
12. This column represents the adjustment made to eliminate the transactions between the Mall Fund and the Capital & Regional Property Manager, a subsidiary of the Group, from the latter's role as property and asset manager of the Mall Fund as these will eliminate on consolidation following completion of the Acquisition.
13. This column represents the charge to the income statement from the expected transaction costs in relation to the Acquisition of £3.3 million (being those not directly related to the Capital Raising) and the impact of Note 14.
14. In the Mall Fund accounts, the net movement in the income statement of £12.1 million is treated as a fair value adjustment to the Units. On completion of the Acquisition, such treatment will only be relevant in respect of the 8.18 per cent. of Units that the Group will not own, and the net movement will flow through to the Group's consolidated profit before tax.
15. This column represents the sum of the preceding columns and represents the *pro forma* earnings of the Group for the year ended 30 December 2013 assuming the Acquisition had completed at the start of that period.



## SECTION B: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The Board of Directors  
on behalf Capital & Regional plc  
52 Grosvenor Gardens,  
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SW1W 0AU

J.P. Morgan Securities plc  
25 Bank street  
Canary Wharf  
London  
E14 5JP

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

23 June 2014

Dear Sirs,

### Capital & Regional plc (the "Company")

We report on the *pro forma* financial information (the "**Pro Forma Financial Information**") set out in Section A of Part XI of the prospectus dated 23 June 2014 (the "**Prospectus**"), which has been prepared on the basis described in note 1, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 December 2013. This report is required by Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

### Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro Forma Financial Information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

## **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

## **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

## **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

Chartered Accountants

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

## PART XII

### CAPITALISATION AND INDEBTEDNESS

#### Section A: Capital & Regional

The tables below set out the Group's capitalisation and indebtedness. The indebtedness information set out below has been extracted without material adjustment from Capital & Regional's unaudited accounting records as at 31 March 2014. The capitalisation figures have been extracted without material adjustment from the Group's audited consolidated financial statements as at and for the year ended 30 December 2013. No adjustment for the Capital Raising has been made.

As at the date of this document there has been no material change in the capitalisation of Capital & Regional since 30 December 2013 and no material change in its financial indebtedness since 31 March 2014.

	<b>As at 31 March 2014 £m</b>
<b><i>Indebtedness</i></b>	
<b>Total current debt</b>	
– Guaranteed	—
– Secured	—
– Unguaranteed/unsecured	—
	<hr/>
<b>Total current debt</b>	—
<b>Non-current debt (excluding current portion of long term debt)</b>	
– Guaranteed	—
– Secured	—
– Unguaranteed/unsecured	—
	<hr/>
Total non-current debt (excluding current portion of long term debt)	—
	<hr/>
<b>Total indebtedness</b>	—
	<hr/> <hr/>
	<b>As at 30 December 2013 £m</b>
	<hr/>
<b><i>Capitalisation</i></b>	
Share capital	9.9
Legal reserves (own shares held)	(0.7)
Other reserves	67.0
	<hr/>
<b>Total capitalisation</b>	<b>76.2</b>
	<hr/>
<b>Total capitalisation and indebtedness</b>	<b>76.2</b>
	<hr/> <hr/>

The following table sets out Capital & Regional's net indebtedness at 31 March 2014

	<b>As at 31 March 2014 £m</b>
<b>Cash</b>	19.1
<b>Liquidity</b>	
Current bank debt	—
<b>Current financial debt</b>	—
<b>Net current financial indebtedness</b>	19.1
Other non-current loans	—
<b>Non-current financial indebtedness</b>	—
<b>Net financial indebtedness</b>	19.1

### **Section B: Mall Fund**

The tables below set out the Mall Fund's capitalisation and indebtedness. The indebtedness information set out below has been extracted without material adjustment from the Mall Fund's unaudited accounting records as at 31 May 2014. The capitalisation figures have been extracted without material adjustment from the Mall Fund's unaudited management accounts as at and for the 3 month period ended 31 March 2014. No adjustment for the debt refinancing within the Mall Fund described in more detail in paragraph 5.6 of Part VI (*Information on the Mall Fund*) of this document has been made to the capitalisation figures.

As at the date of this document there has been no material change in either the capitalisation of the Mall Fund since 31 March 2014 or its financial indebtedness since 31 May 2014.

	<b>As at 31 May 2014 £m</b>
<b><i>Indebtedness</i></b>	
<b>Total current debt</b>	
– Guaranteed	—
– Secured	—
– Unguaranteed/unsecured	—
<b>Total current debt</b>	—
<b>Non-current debt (excluding current portion of long term debt)</b>	
Guaranteed	—
Secured	343.7
Unguaranteed/unsecured	—
<b>Total non-current debt (excluding current portion of long term debt)</b>	343.7
<b>Total indebtedness</b>	343.7

	<b>As at 31 March 2014 £m</b>
<b>Capitalisation</b>	
Share capital	0.3
<b>Total capitalisation</b>	<u>0.3</u>
<b>Total capitalisation and indebtedness</b>	<u><u>344.0</u></u>

The following table sets out the Mall Fund's net indebtedness at 31 May 2014

	<b>As at 31 May 2014 £m</b>
Cash	17.1
<b>Liquidity</b>	
Current bank debt	—
<b>Current financial debt</b>	—
<b>Net current financial indebtedness</b>	17.1
Other non-current loans net of unamortised financing fees	(343.7)
Financial liabilities carried at amortised cost	(345.5)
<b>Non-current financial indebtedness</b>	<u>(689.2)</u>
<b>Net financial indebtedness</b>	<u><u>(672.1)</u></u>

**PART XIII**  
**PROPERTY VALUATION REPORTS**



**A Valuation Report**

**CUSHMAN & WAKEFIELD LLP**  
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London  
W1A 3BG  
Tel 020 7935 5000  
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**To: Addressees**

**Attention: Capital & Regional plc**  
**52 Grosvenor Gardens**  
**London SW1W 0AU**

**J.P. Morgan Securities plc**  
**25 Bank Street**  
**London E14 5JP**

**Numis Securities Limited**  
**The London Stock Exchange Building**  
**10 Paternoster Square**  
**London EC4M 7LT**

**The Company: Capital & Regional plc**

**Report Date: 23 June 2014**

**Valuation Date: 31 March 2014**

**1 INSTRUCTIONS**

**Appointment**

We are pleased to submit our valuation report, which has been prepared in connection with a proposed reverse takeover, firm placing and placing and open offer of new ordinary shares by Capital & Regional plc (the "Company"), as a result of which the entire issued share capital of the Company will be admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities (the "Transaction").

We understand that our valuation report is required for inclusion in a combined circular and prospectus which is to be published by the Company in connection with the Transaction (the "Prospectus").

We understand that the valuation report will be relied on by investors in making their investment decision in connection with the Transaction.

The valuation report will also be relied upon by Numis Securities Limited and J.P. Morgan Securities plc in their capacity as joint sponsors and joint bookrunners in connection with the Transaction.

**2 BACKGROUND TO THE VALUATION**

**Properties**

The properties valued are detailed in Part B.



### **3 BASES OF VALUATION**

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards (the “Red Book”) by a valuer acting as an External Valuer, as defined within the Red Book.

#### **Bases**

The properties in Part B have been valued on the basis of Market Value, subject to any existing leases and otherwise assuming vacant possession.

#### **Market Value Definition**

We have assessed “Market Value” in accordance with the Red Book.

The Red Book defines Market Value as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

#### **Market Rent Definition**

We have assessed “Market Rent” in accordance with the Red Book.

The Red Book defines Market Rent as “the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.”

#### **Estimated Net Annual Rents Receivable**

In the Part B schedule, we set out our estimates of the net annual rents currently receivable from the properties. In providing these estimates, we define “net annual rent” as “the current income or income estimated by the valuer:

- (i) ignoring any special receipts or deductions arising from the property;
- (ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (iii) after making deductions for superior rents (but not for amortisation) and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent.”

Where premises are let on effective full repairing and insuring leases, the net annual rents receivable stated in the schedule are the presently contracted rents payable under those leases or agreements to lease without any deduction for the cost of management or any other expenses.

Where leases are subject to rent-free periods which have not expired, the total Estimated Net Annual Rents Receivable stated reflect the present nil rent passing under those leases. We have stated the total including the rents payable following expiry of the rent-free period within the Terms of Existing Tenancies column.

The schedule sets out our opinion of the current Estimated Net Annual Rents, which is on the basis of Market Rent. Where there are outstanding or forthcoming reviews, rental value has been assessed in accordance with the terms of the occupational lease review provisions. Otherwise, rental value has been assessed on the basis of Market Rent, assuming a new lease drawn on terms appropriate to current practice in the relevant market.

### **4 ASSUMPTIONS, DEPARTURES AND RESERVATIONS**

We have made no Special Assumptions.

We have made no Departures from the Red Book. The valuation is not subject to a reservation.

#### **Tenure and Tenancies**

We have not inspected title deeds and we have relied on the information supplied and listed at paragraph 6 of this Report as being correct and complete. In the absence of information to the contrary, we have assumed the absence of unusually onerous restrictions, covenants or other encumbrances and that each property has a good and marketable title. Where supplied with legal

documentation, we have considered it but we will not take responsibility for the legal interpretation of it. We have not obtained information from The Land Registry.

We have not read any leases.

### **Structure**

We have not carried out a structural survey of any property nor have we tested services but have relied on the information supplied and listed at paragraph 6 of this Report. Further, no inspection has been made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation is on the basis that each property is free from defect. However, the value reflects the apparent general state of repair of each property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of each property, nor should such an opinion be implied.

### **Planning and Statutory Regulations**

We have not been instructed to make formal searches with local planning authorities and we have relied on the information supplied and listed at paragraph 6 of this Report. We recommend that your lawyers be instructed to confirm the planning position relating to each property and review our comments on planning in the light of their findings.

### **Covenant**

Our valuation takes into account potential purchasers' likely opinion of the financial strength of tenants. However, we have not undertaken any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you or in the information supplied and listed at paragraph 6 of this Report, we have assumed that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.

### **Floor Areas**

The Company has provided us with floor areas of the properties which, as instructed, we have relied on and have not checked on site. We have assumed that the areas supplied to us have been measured in accordance with the RICS Code of Measuring Practice.

### **Other**

Our valuation takes into account the information supplied and listed at paragraph 6 of this Report. Subject to this information providing otherwise, we have made the following additional assumptions:

- (ii) the properties and any existing buildings on the properties are free from any defect whatsoever;
- (iii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;
- (iv) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc.) are in good working order without any defect whatsoever;
- (iv) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property or any adjoining property, and we shall not be responsible for any investigations into the existence of the same and you are responsible for making such investigations;
- (v) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);
- (vi) the properties and any existing buildings on the properties comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);

- (vii) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value;
- (viii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits;
- (ix) vacant possession can be given of all accommodation which is unlet or occupied by the owner of the properties or its employees on service tenancies; and
- (x) any valuation figures provided will be exclusive of VAT whether or not the building has been elected.

## 5 INSPECTION

We inspected the properties from a customer's general perspective between 3 March and 7 April 2014. We are informed by the Company that there has been no material change to the properties since these dates.

## 6 SOURCES OF INFORMATION

In addition to information established by us, we have relied on the information obtained from the persons listed below.

Information	Source
1. Floor areas.	Capital & Regional plc
2. Tenancy Schedule.	Capital & Regional plc
3. Details of irrecoverable outgoings, rental arrears and other management matters.	Capital & Regional plc
4. Details of current negotiations in hand, e.g. rent reviews and active management issues	Capital & Regional plc
5. Turnover rent.	Capital & Regional plc

## 7 GENERAL COMMENT

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience. Our valuation is supported by this market evidence.

Where there are outstanding or forthcoming reviews, rental value has been assessed in accordance with the terms of the occupational lease review provisions. Otherwise, rental value has been assessed on the basis of Market Rent, assuming a new lease drawn on terms appropriate to current practice in the relevant market.

All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or special assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability, that the valuer's opinion of market value would exactly coincide with the price achieved were there an actual sale at the valuation date.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should a sale of any property be contemplated, we strongly recommend that the relevant property is given proper exposure to the market.

We recommend that you keep the valuation of the properties under frequent review.

The valuation has been prepared on the assumption that the details relating to tenure, tenancies and legal title provided by the Company are correct and we have not verified any details. In the event that these details are not correct, we take no responsibility for the effect on the valuation.

## 8 VALUATION

These are aggregated figures of the individual values for each property in the portfolio. If the portfolio was to be sold as a single lot or in groups of properties, the total value could differ significantly.

## **Market Value**

Our opinion of the Market Value of the properties detailed in Part B is:

**The Mall (Camberley, Luton and Maidstone) £330,750,000**

**Waterside Shopping Centre, Lincoln – £33,000,000**

**£363,750,000 (Three hundred and sixty three million, seven hundred and fifty thousand pounds)**

We have also been asked to include an explanation of the difference between the valuation figures set out above and the equivalent figures reported to the Company as at 31 December 2013 for the purposes of its year end financial statements. As at 31 December 2013, the total value was £363,050,000, a nominal change.

## **9 VALUATION FOR A REGULATED PURPOSE**

This valuation is classified by the Red Book as a Regulated Purpose Valuation and we are therefore required to disclose the following information.

The valuation was prepared by Simon Smith MRICS and reviewed by Rupert Dodson FRICS. The signatories to this report have previously been signatory to valuations for the Company for the same purpose for 5 years. Cushman & Wakefield LLP has carried out this valuation for the Company for the same purpose for a continuous period of 5 years.

Cushman & Wakefield LLP provides other professional or agency services to the Company from time to time and has done so for a period of more than 5 years. In our most recent financial year, Cushman & Wakefield LLP received less than 5 per cent. of its total fee income from the Company.

## **10 FCA COMPLIANCE**

In preparing this valuation report, we have complied with the requirements of PR 5.6.5G of the Prospectus Rules published by the Financial Conduct Authority and paragraph 128 of the ESMA update to the CESR recommendations for the consistent implementation of the European Commissions Regulation of Prospectuses No. 809/2004.

We also confirm that for the purposes of the Listing Rules issued by the Financial Conduct Authority, neither the signatories to this report or Cushman & Wakefield LLP has an interest (material or otherwise) in the entity.

## **11 RESPONSIBILITY**

For the purpose of Prospectus Rule 5.5.3R(2)(f), we accept responsibility for the information contained within this valuation report and declare that we have taken all reasonable care to ensure that the information contained in the valuation report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1 item 1.2 of the Prospectus Directive Regulation.

Save for any responsibilities arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law (including any mandatory responsibility arising from the listing rules of any stock exchange) we do not assume any responsibility to and we hereby exclude all liability arising from use of and/or reliance on this report by any person or persons for the purposes of determining whether or not to take up their entitlement to or otherwise subscribe for shares in the Company other than those parties to whom this report is addressed and to whom we have issued a reliance letter.

Other than those parties to whom this report is addressed (or any person to whom we have issued a reliance letter and who has accepted the terms contained therein), any third party seeking to rely on this report shall only be entitled to do so for the purposes of determining whether or not to acquire a share in the Company.

## **12 DISCLOSURE AND PUBLICATION**

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure, but such approval may not be unreasonably withheld or delayed where the proposed disclosure relates to

the Transaction. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made. We confirm that we have given and not withdrawn our written consent to the inclusion of this valuation report in the Prospectus.

You must not modify, alter (including altering the context in which the report is displayed) or reproduce the contents of this valuation report (or any part) without first obtaining our written approval. Any person who contravenes this provision shall be responsible for all of the consequences of the same, including indemnifying Cushman and Wakefield LLP against all consequences of the contravention. Cushman & Wakefield LLP accepts no liability for any use of the valuation report that is in contravention of this section.

Signed for and on behalf of Cushman & Wakefield LLP

**Rupert Dodson FRICS**

Partner

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## B Property Report

### PROPERTIES HELD AS INVESTMENTS

Property	Description, Age and Tenure	Terms of Existing Tenancies	Estimated Net Annual Rents Receivable £ pa	Estimated Net Annual Rents £ pa	Market Value £
The Mall, Camberley	<p>The property is a town centre shopping centre originally built in 1970's and extended in 1990's. The property comprises retail accommodation arranged over ground floor including 1 department store – House of Fraser, 5 major space users (Primark, Sainsburys, Boots, Poundland and TK Maxx), approximately 110 shop units and 2 cafes/restaurants. There are approximately 120 retail units in total. The company are intending to undertake a redevelopment of the London Road block in the medium term to accommodate a major occupier and create new layout / modernise the centre. In addition there is a former Alders store on Obelisk Way which is being held for the above development. The Property has a total floor area of approximately 36,232 square metres (390,000 sq ft). There are approximately 1025 car parking spaces in the adjoining car park which is operated by Surrey Heath Borough Council. Part freehold/part long leasehold for a term of 150 years expiring 2138 at a rent of 5% of the net income subject to yearly rent reviews from 25 December each year.</p>	<p>Let on full repairing and insuring leases by way of service charge, insurance contributions and repairing obligations. The contracted gross annual rents receivable including rents agreed, and topping up rent free periods that are outstanding in the way of capital cost deduction, is £6,333,424 pa. The net rent is £5,576,642 pa. This includes deemed income from outstanding rent reviews. The entire Property is let with the exception of 36 units; in addition there are 4 tenants in administration. The majority of the Property is held on leases granted in excess of 5 years. Additionally there are barrows, advertising sites and merchandising carts occupied by way of leases and licences. Allowances have been made to arrive at a net income with deductions being made for a landlord's contribution to promotion (£89,000 pa), a permanent income void (6% per cent pa of rental value commencing after 18 months) and void costs associated with currently vacant units. In addition we have allowed for capital costs of £1,067,907.</p>	5,234,892	7,219,073 6,394,844 (net of ground rent, permanent void and promotion)	75,000,000



## Property Report

Property	Description, Age and Tenure	Terms of Existing Tenancies	Estimated Net Annual Rents Receivable £ pa	Estimated Net Annual Rents £ pa	Market Value £
Waterside Shopping Centre, Lincoln	<p>The property is a purpose built shopping centre constructed in 1989. The centre is currently undergoing a substantial redevelopment in two phases. Phase 1, which has completed, saw a reconfiguration of New Look's MSU unit along with a newly located food offering. Phase 2, which is currently underway, will see the arena mall completely redesigned to house a 22,000 sq ft H&amp;M unit and a 15,000 sq ft Next unit. Several other units will also benefit from a reconfiguration programme during Phase 2, which is due to complete by Autumn 2014. The retail accommodation is over lower ground and ground floors. In addition to the anchor tenants above, other key tenants include Top Shop, O2 and Superdrug. Following completion of the development, there will be 27 retail units. The Property has a total floor area of approximately 11,148 square metres (120,000 sq ft). The shopping centre does not have its own car park, although there is ample parking provision in the city centre. The property is held freehold.</p>	<p>Let on full repairing and insuring leases by way of service charge, insurance contributions and repairing obligations. The contracted gross annual rents receivable including rents agreed, and topping up rent free periods that are outstanding in the way of capital cost deduction, is £2,163,432 pa. The net rent is £2,082,390 pa. This includes deemed income from outstanding rent reviews. Save for three units which are currently under construction, there is one vacant retail unit (although this place under offer following the valuation date). One tenant, Internacionale, is in administration. The majority of the Property is held on leases granted in excess of three years. Additionally there are barrows, advertising sites and merchandising carts occupied by way of leases and licences. Allowances have been made to arrive at a net income with deductions being made for a landlord's contribution to promotion (£32,000 pa), a permanent income void (4% per cent pa of rental value commencing after 24 months) and void costs associated with currently vacant units. In addition we have allowed for capital costs of £4,534,087.</p>	1,975,040	2,796,617 2,642,752 (net)	33,000,000

## Property Report

Property	Description, Age and Tenure	Terms of Existing Tenancies	Estimated Net Annual Rents Receivable £ pa	Estimated Net Annual Rents £ pa	Market Value £
The Mall, Luton	<p>The property is a town centre shopping centre originally built in the early 1970's and incorporating the St George's Square extension in 2011. The property comprises retail accommodation arranged principally over one level including department/variety stores (Debenhams and Marks &amp; Spencer), eight major space users (Boots, H&amp;M, Primark, Poundland, River Island, Tesco Metro, TK Maxx and Wilkinsons), 91 shop units and 10 cafes/restaurants. In addition there are a number of mall carts, Luton's covered Market Hall and two vacant offices blocks (Finster House and Arndale House) extending over four and five storeys respectively, both sited above the centre. The Property has a total floor area of approximately 83,613 square metres (900,000 sq ft). There are approximately 1,720 car parking spaces. Predominantly held long leasehold for a term of 150 years expiring 06/08/2146 at a rent geared to 9.6% of net rent receivable for the main centre, 10% of gross income for the car park and 9.6% of net rents for the St George's extension (above a £1.25m pa threshold). 32 George Street and part Debenhams held freehold.</p>	<p>Let, in the main, on full repairing and insuring leases by way of service charge, insurance contributions and repairing obligations. The contracted gross annual rents receivable including rents agreed, and topping up rent free periods that are outstanding in the way of capital cost deduction, is £15,230,631 pa. The net rent is £13,313,401 pa. This includes deemed income from outstanding rent reviews. The entire Property is let with the exception of nine retail units and seven office units. Discussions are taking place, heads of terms are issued or solicitors instructed in respect of two of the retail units. The majority of the Property is held on leases granted in excess of five years. Additionally there are barrows, advertising sites and merchandising carts occupied by way of leases and licences. Allowances have been made to arrive at a net income with deductions being made for a landlord's contribution to promotion (£138,000 pa), a permanent income void (3 per cent pa of rental value commencing after 36 months) and void costs associated with currently vacant units. In addition we have allowed for capital costs of £7,058,827.</p>	12,660,894	17,076,322 14,931,486 (net)	193,000,000

Property	Description, Age and Tenure	Terms of Existing Tenancies	Estimated Net Annual Rents Receivable £ pa	Estimated Net Annual Rents £ pa	Market Value £
The Mall, Maidstone	<p>The property is a town centre shopping centre originally built in 1976 and extended in 2008. The property comprises retail accommodation arranged on three levels including 1 department store (Bhs), 5 major space users (Boots, Wilkinsons, New Look, Sports Direct and Iceland), 85 shop units and 2 cafes/restaurants. In addition there are mall carts and an office block known as Stoneborough House, which is set over six storeys. Much of the office space is let to Maidstone Borough Council, who are the single biggest tenant, by income. The company are intending to undertake a wholesale refurbishment of the scheme, at a cost of £4 million. The Property has a total floor area of approximately 46,452 square metres (500,000 sq ft). There are approximately 1,050 car parking spaces. The property is held freehold.</p>	<p>Let on full repairing and insuring leases by way of service charge, insurance contributions and repairing obligations. The gross annual rents receivable including rents agreed, but where rent free periods are outstanding, is £6,826,204 pa. The net rent is £5,626,081 pa. This includes deemed income from outstanding rent reviews. The entire Property is let with the exception of 16 retail units and 3 office floors. Discussions are taking place in respect of one of these units. In addition, there are three tenants in administration. The majority of the Property is held on leases granted in excess of 5 years. Additionally there are barrows, advertising sites and merchandising carts occupied by way of leases and licences. Allowances have been made to arrive at a net income with deductions being made for a landlord's contribution to promotion (£58,548 pa), a permanent income void (9.0 per cent pa of rental value commencing after 24 months) and void costs associated with currently vacant units. We have allowed for total capital costs of £5,767,993.</p>	5,314,581	7,638,585 6,906,123 (net)	62,750,000

## Valuation Report

Report Date	23 June 2014.
Addressee	<p>Capital &amp; Regional plc (the “Company”)            52 Grosvenor Gardens            London SW1W 0AU</p> <p>J.P. Morgan Securities plc            25 Bank Street            London E14 5JP</p> <p>Numis Securities Limited            The London Stock Exchange Building            10 Paternoster Square            London EC4M 7LT</p>
The Properties	As listed in the Schedule of Capital Values set out below (the “Properties”).
Instruction	To value on the basis of Market Value the Properties as at the valuation date in accordance with your instructions dated 18 June 2014.
Valuation Date	31 March 2014 (the “Valuation Date”).
Capacity of Valuer	External.
Purpose of Valuation	It is understood that our Valuation Report and Schedule (the “Valuation Report”) is required for inclusion in an approved prospectus and circular (the “Approved Prospectus”) which is to be published by the Company in connection with a Firm Placing, Placing and Open Offer, an acquisition of further units in the Mall Unit Trust which will constitute a reverse takeover for Listing Rules purposes and Admission of Ordinary Shares to the Official List of the Financial Conduct Authority (the “FCA”) and to trading on the London Stock Exchange’s main market for listed securities.
Market Value	<p><b>£490,400,000</b> (FOUR HUNDRED AND NINETY MILLION, FOUR HUNDRED THOUSAND POUNDS) exclusive of VAT, as shown in the Schedule of Capital Values set out below.</p> <p>We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.</p> <p>Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached and has been primarily derived using comparable recent market transactions on arm’s length terms. We confirm that there has been no material change to the Market Value of the Properties from the date of the Valuation Report.</p> <p>We have also been asked to include an explanation of the difference between the valuation figures set out above and the equivalent figure reported to the Company as at 31 December 2013 for the purposes of its year end financial statements. As at 31 December 2013, the equivalent figure was £488,300,000. The difference between these two valuation figures is £2,100,000. The difference is due to changes in income and the investment market.</p>
Compliance with Valuation Standards	The valuations have been prepared in accordance with The RICS Valuation – Professional Standards (2014) (“the Red Book”).

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuations competently.

The valuations have been prepared in accordance with paragraph 130 of ESMA's update of the CESR recommendations for the consistent implementation of the European Commission Regulation No 809/2004.

Assumptions

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Valuer

The Properties have been valued by a valuer, acting as External Valuer, who is qualified for the purpose of the valuation in accordance with the Red Book.

Independence

We confirm that CBRE Ltd (or other companies forming part of the same group of companies within the UK) have advised on the Properties for approximately five years and have acted for the Company; however the total fees, including the fee for this assignment, earned by CBRE Ltd from the Company, members of the same group of companies and the relevant entities owning the Properties are less than 5.0 per cent. of the total UK revenues earned by CBRE Ltd and other companies forming part of the same group of companies.

Conflicts of Interest

We are not aware of any material conflicts of interest. We value The Mall, Blackburn, The Mall, Walthamstow and The Mall, Wood Green quarterly for the Mall Fund. We also carry out valuations of the Kingfisher Shopping Centre, Redditch on an ad hoc basis for the relevant lending banks.

Reliance

For the purposes of Prospectus Rule 5.5.3(R)(2)(f), we are responsible for our Valuation Report and we accept responsibility for the information contained in our Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in our Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. Our Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of the ESMA update to the CESR recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004.

This report is for the use only of the parties to whom it is addressed for the specific purposes set out herein. Save for any responsibility arising under Prospectus Rule 5.5.3(R)(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility to any third party for the whole or any part of its contents.

Publication

We understand that this report will form part of the Approved Prospectus and various other investor documents issued including, but not limited to, investor presentations and investor reports. Other than for this purpose, neither the whole nor any part of our report nor any references thereto may be included in

any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear. We confirm that we have given and not withdrawn our written consent to the inclusion of this report in the Approved Prospectus.

Yours faithfully

**NIGEL BALY**

RICS Registered Valuer

For and on behalf of CBRE Ltd

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Project Reference: 332415

Yours faithfully

**JENNIFER THOMASSON**

RICS Registered Valuer

For and on behalf of CBRE Ltd

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E: [jennifer.thomasson@cbre.com](mailto:jennifer.thomasson@cbre.com)



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## Schedule of Capital Values

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### Properties held for investment

<u>Date of inspection</u>	<u>Address</u>	<u>Freehold £</u>	<u>*Long Leasehold £</u>	<u>Total £</u>
29.10.2013	Blackburn, The Mall		101,700,000	101,700,000
16.05.2013	Walthamstow, The Mall		75,000,000	75,000,000
16.05.2013	Wood Green, The Mall	177,200,000		177,200,000
	<b>Total – The Mall</b>	<b>177,200,000</b>	<b>176,700,000</b>	<b>353,900,000</b>
	Kingfisher Shopping Centre, Redditch	136,500,000		136,500,000
	<b>Total</b>	<b>313,700,000</b>	<b>176,700,000</b>	<b>490,400,000</b>

\* more than 50 years unexpired

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## Scope of Work & Sources of Information

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Sources of Information	We have carried out our work based upon information supplied to us by the Company as set out within this report, which we have assumed to be correct and comprehensive.
The Properties	Our report contains a brief summary of the property details on which our valuation has been based.
Inspections	We have undertaken internal and external inspections of all of the Properties between 16 May 2013 and 29 October 2013 in connection with this report. The Company has confirmed that it is not aware of any material changes to the Properties, or the nature of its location, since the last inspection. We have assumed this advice to be correct.
Areas	Provided by the Company, which we assume have been calculated in accordance with the RICS Code of Measuring Practice 6th Edition.
Environmental Matters	We have not carried out any investigations into the past or present uses of the Properties nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.
Repair and Condition	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used or are present in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.
Town Planning	We have not undertaken planning enquiries.
Titles, Tenures and Lettings	<p>Details of title/tenure under which each of the Properties is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. We have not been provided with Certificates of Title in respect of the individual property assets.</p> <p>We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.</p>

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## Valuation Assumptions

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Capital Values	<p>Each valuation has been prepared on the basis of "Market Value" which is defined as:</p> <p>"The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."</p> <p>No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.</p> <p>No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.</p> <p>No account has been taken of the availability or otherwise of capital based Government or European Community grants.</p>
Rental Values	<p>Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.</p>
The Properties	<p>Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.</p> <p>Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.</p> <p>Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.</p> <p>All measurements, areas and ages quoted in our report are approximate.</p>
Environmental Matters	<p>In the absence of any information to the contrary, we have assumed that:</p> <ul style="list-style-type: none"><li>(a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;</li><li>(b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; and</li><li>(c) the Properties possess current Energy Performance Certificates (EPCs) as required under the Government's Energy Performance of Buildings Directive.</li></ul> <p>High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the Properties. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.</p>
Repair and Condition	<p>In the absence of any information to the contrary, we have assumed that:</p> <ul style="list-style-type: none"><li>(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties; and</li></ul>

- (b) the Properties are free from rot, infestation, structural or latent defect.
- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of or subsequent alterations or additions to the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about or advise upon the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

#### Title, Tenure, Planning and Lettings

Unless stated otherwise within this report and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control or in accordance with planning permissions and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995;
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (j) where more than 50 per cent. of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

## Property Details

### The Mall Portfolio

Property	Description, Age and Tenure	Terms of Existing Tenancies	Current Net Annual Rent Receivable	Market Value
Blackburn The Mall	<p>The property was built in the 1960s and is located in the centre of Blackburn. The centre is an enclosed scheme built over two levels. Lord Square has been redeveloped to provide an additional 22,296 sq m (240,000 sq ft) of retail accommodation and the scheme has been refurbished. The extension opened in 2010 and comprises 23 new retail units, a market and an additional 190 car spaces. the centre now comprises approximately 55,750 sq m (600,000 sq ft) of retail accommodation being anchored by BHS, Debenhams and Primark.</p>	<p>The majority of leases are drawn on full repairing and insuring terms. In general, the retail unit rents are subject to five yearly, upwards-only rent reviews to open market rental value. In addition to these tenancies, there are several licences held within the centre in respect of kiosks, advertising, telecom stations and sundry mall provisions. There are also a number of concessionary rents and short-term inclusive lettings that have been granted.</p>	£8,477,591	£101,700,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Terms of Existing Tenancies</b>	<b>Current Net Annual Rent Receivable</b>	<b>Market Value</b>
Walthamstow The Mall	Leasehold. Built in 1988. An enclosed scheme comprising approximately 24,150 sq m (260,000 sq ft) of retail accommodation arranged predominantly on the ground floor, although there is a small first floor which houses three food outlets. The property is anchored by Asda and BHS, with approximately 60 retail units between, including New Look, Topshop and Boots. Multi-storey car park with c.850 spaces.	The majority of leases are drawn on full repairing and insuring terms. In general, the retail unit rents are subject to five-yearly, upwards-only rent reviews to open market rental value. In addition to these tenancies, there are several licences held within the centre, in respect of kiosks, advertising, telecom stations and sundry mall provisions.	£5,273,835	£75,000,000



<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Terms of Existing Tenancies</b>	<b>Current Net Annual Rent Receivable</b>	<b>Market Value</b>
Wood Green The Mall	Freehold. Built in 1977, comprising two separate elements having frontage to either side of the High Street, though being connected at first floor level via an enclosed bridge link. The scheme provides approximately 50,000 sq m (540,000 sq ft) of retail accommodation in 96 units anchored Primark and a 12 screen Cineworld cinema. Other major occupiers include New Look, Wilkinson, TK Maxx and Argos. The scheme includes ancillary office accommodation above the retail units. Two multi-storey car parks with c.1,500 car spaces.	The majority of leases are drawn on full repairing and insuring terms. In general, the retail unit rents are subject to five-yearly, upwards-only rent reviews to open market rental value. In addition to these tenancies, there are several licences held within the centre, in respect of kiosks, advertising, telecom stations and sundry mall provisions.	£11,344,517	£177,200,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Terms of Existing Tenancies</b>	<b>Current Net Annual Rent Receivable</b>	<b>Market Value</b>
Redditch The Kingfisher Centre	<p>Mostly freehold with small leasehold element let on a 999 year lease from March 1985. Built in 1973 and extended in 2002, the property comprises the majority of the town centre's retail provision in a predominantly single-storey (but with two other floors), 160 unit enclosed shopping centre totalling approximately 102,193 sq m (1,100,000 sq ft). The property is anchored by Debenhams, Marks &amp; Spencer, BHS, Primark and a seven screen cinema. There are five car parks providing 2,639 car spaces in total.</p>	<p>The majority of leases are drawn on full repairing and insuring terms. In general, the retail unit rents are subject to five yearly, upwards-only rent reviews to open market rental value. In addition to these tenancies, there are several licences held within the centre in respect of kiosks, advertising, telecom stations and sundry mall provisions. There are also a number of concessionary rents and short-term inclusive lettings that have been granted.</p>	£10,620,853	£136,500,000

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**Our Ref:**

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23 June 2014

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10 Paternoster Square  
London  
EC4M 7LT

J.P. Morgan Securities Plc  
25 Bank Street  
London  
E14 5JP

Dear Sirs

## **Valuation of commercial real estate assets in Germany**

### **1 Introduction**

In accordance with instructions received from Capital & Regional Plc (the 'Company'), we have inspected the properties listed in Appendix 1 (the 'Properties' and each a 'Property') held within the portfolio held by a joint venture with Ares Management (the "German Joint Venture"), in which a member of the Company's group holds a 50% interest (the 'Portfolio'), and made all relevant enquires in order to provide our opinion of the Market Value (as defined below) as at 31 March 2014 (the 'Valuation Date') of the freehold and leasehold interests in the Properties (the 'Valuations'). The Valuation Date is the effective date of the Valuations.

The portfolio comprises the Properties listed at Appendix 1.

### **2 Inspection**

The Properties have been inspected within the last 12 months. We have been informed by the Company that there have been no material changes sufficient to affect value at any of the Properties since our last inspections were carried out.

The Valuations are based on the Assumption (as defined below) that there have been no material changes to the physical attributes of the Properties and the locations in which they are situated.

### **3 Compliance with RICS Valuation – Professional Standards 2014 UK Edition**

We confirm that the Valuations have been prepared in accordance with the appropriate sections of the Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance – Applications and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation – Professional Standards 2014 UK Edition (the "Red Book"). It follows that the Valuations are compliant with International Valuation Standards.

### **4 Status of valuer and conflicts of interest**

We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake these Valuations competently. We also confirm that where more than one valuer has contributed to the Valuations the requirements of PS 2.3.7 of the Red Book have been satisfied. We confirm that Bryn Williams has overall responsibility for the Valuations. Finally,

we confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of the Valuations.

The Valuations are a Regulated Purpose Valuation. We confirm that there are no subject properties which have been acquired by the German Joint Venture within the 12 months preceding the Valuation Date in respect of which DTZ has either received an introductory fee or negotiated that purchase on behalf of the German Joint Venture.

We confirm that DTZ provides valuations of the Properties to the German Joint Venture and the Company on a biannual basis. In addition, DTZ has previously carried out valuation and agency work for the German Joint Venture and the Company.

We note that the addressees have been made aware of the above and that no issues have been raised/no objection to DTZ proceeding with the Valuations for the Company.

## **5 Purpose of the valuation**

We understand that this Valuation Report is required for inclusion in a combined circular and prospectus which is to be published by the Company (the "Prospectus") in connection with a proposed reverse takeover, firm placing and placing and open offer of new ordinary shares by the Company (the "Capital Raising") as a result of which the entire issued share capital of the Company will be admitted to the premium listing segment of the Official List of the Financial Conduct Authority (the "FCA") and to trading on the London Stock Exchange plc's main market for listed securities (the "Transaction"). We understand that the Valuation Report will be relied on by investors in making their investment decision in connection with the Transaction.

This Valuation Report will also be relied upon by Numis Securities Limited and J.P. Morgan Securities Plc in their capacity as joint sponsors and joint bookrunners in connection with the Transaction.

Therefore, in accordance with PS 2.8 and UKVS 4 we have made certain disclosures in connection with this valuation instruction and our relationship with the Company and the German Joint Venture. These are included in item 6 below.

We also confirm that the Valuations have been undertaken in accordance with Rule 5.6.5G of the Prospectus Rules published by the FCA and paragraphs 128 to 130 of the ESMA update to the Committee of European Securities Regulators recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No 809/2004 and EU Directive 2003/71/EC.

## **6 Disclosures required under the provisions of PS 2.8 and UKVS 4**

### **6.1 NAME OF SIGNATORY**

Bryn Williams has been the signatory of the valuation reports provided to the German Joint Venture and the Company for a continuous period since December 2012. DTZ Debenham Tie Leung has been carrying out this valuation instruction for the German Joint Venture and the Company since December 2005.

### **6.2 DTZ'S RELATIONSHIP WITH CLIENT**

DTZ has had a long association with the German Joint Venture and the Company for a number of years and has dealt with both agency and valuations work for the German Joint Venture and the Company.

### **6.3 FEE INCOME FROM THE GERMAN JOINT VENTURE AND THE COMPANY**

DTZ Debenham Tie Leung was a wholly owned subsidiary of DTZ Holdings plc (the "Group") until 5 December 2011, when all the trading subsidiaries of the Group (the "Subsidiaries") were sold to UGL Limited ("UGL"). In UGL's financial year ending 30 June 2013, the proportion of fees payable by the German Joint Venture and the Company to the total fee income of UGL was less than 5%.

## **7 Report format**

The appendix to this Valuation Report comprises details of the Properties and the Valuations and references to this Valuation Report shall include the contents of such appendix accordingly.

## **8 Basis of valuation**

Our opinion of the Market Value of each of the Properties has been primarily derived using comparable recent market transactions on arm's length terms.

### **8.1 MARKET VALUE**

The value of each of the Properties has been assessed in accordance with the relevant parts of the current Red Book. In particular, we have assessed Market Value in accordance with VPS 4.1.2. Under these provisions, the term "Market Value" means "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In undertaking our Valuations on the basis of Market Value, we have applied the conceptual framework which is set out in IVS Framework paragraphs 30-35.

### **8.2 TAXATION AND COSTS**

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

We have made a deduction to reflect a purchaser's acquisition costs.

## **9 VAT**

The Company has advised us that the German Joint Venture has exercised its option to tax.

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

## **10 Assumptions and sources of information**

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). In this context, Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuation, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company has confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuation should be reviewed. The Assumptions we have made for the purposes of the Valuations are referred to below:-

### **10.1 TITLE**

We have not had access to the title deeds of any of the Properties but we have read and relied upon tenancy schedules provided by the Company. We have made an Assumption that a member of the German Joint Venture's group is possessed of good and marketable freehold title in each case and that the Properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We have also assumed that the Properties are free from mortgages, charges or other encumbrances.

### **10.2 CONDITION OF STRUCTURE AND SERVICES, DELETERIOUS MATERIALS, PLANT AND MACHINERY AND GOODWILL**

Due regard has been paid to the apparent state of repair and condition of each of the Properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the Properties are structurally sound or free from any defects. We have made an Assumption that the Properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in this Valuation Report.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the Properties are free from risk in this regard. For the purposes of these Valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection during the course of the valuation and have made an assumption that none is present. Should asbestos be found to be present our values reported herein would be subject to revision. We draw your attention to the decontamination and rehabilitation measures in the guidance notes (Asbest-Richtlinie) of the Federal States effective 1996 and the related guidance notes for the handling of hazardous goods (TGRS 519) effective 2007.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in this valuation for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the Properties.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

### 10.3 ENVIRONMENTAL MATTERS

We have been instructed not to make any investigations in relation to the presence or potential presence of contamination in land or buildings, and to make an Assumption that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past uses, either of the Properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites, and have therefore made an Assumption that none exists.

In practice, purchasers in the property market do require knowledge about contamination. A prudent purchaser of these Properties may require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, this might reduce the values now reported.

We have no basis upon which to assess the reasonableness of this Assumption. If it were to prove invalid then the value would fall by an unspecified amount.

Commensurate with our Assumptions set out above we have not made any allowance in the valuations for any effect in respect of actual or potential contamination of land or buildings.

#### **Flooding**

We have not made enquiries of the relevant Environmental Agencies in order to determine the likelihood of flooding at the Properties. Our valuation assumes that the subject properties are not located within or close to any flood plains and do not have a history of flooding.

### 10.4 AREAS

The Company has provided us with the floor areas of the Properties that are relevant to our valuation. As instructed, we have relied on these areas and have not checked them on site. We have made an Assumption that the floor areas supplied to us have been calculated in accordance with local market practice and are true and accurate.



## 10.5 STATUTORY REQUIREMENTS AND PLANNING

We have not made enquiries of the relevant planning authority in whose area each Property lies as to the possibility of highway proposals, comprehensive development schedules and other ancillary planning matters that could affect Property values.

We have made an Assumption that the buildings have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of current Fire Risk Assessments compliant with the requirements of the individual state building codes of the individual Federal States of Germany (Landesbauordnung). Similarly, we have also made an Assumption that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless our enquiries have revealed the contrary, we have made a further Assumption that the existing uses of the properties are duly authorised or established and that no adverse planning condition or restriction applies.

## 10.6 LEASING

We have not been provided with copies of the occupations leases but have been provided with an updated tenancy schedule as at 31 March 2014. We make an Assumption that the said tenancy schedule is true, accurate and complete in all material respects.

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have made an Assumption that the tenants are financially in a position to meet their obligations. Unless otherwise advised we have also made an Assumption that there are no material arrears of rent or service charges, breaches of covenants, current or anticipated tenant disputes.

However, our valuations reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

We have also made an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

## 10.7 INFORMATION

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

## 10.8 INTEREST VALUED

We have valued the aggregate of the 100% freehold interests in each Property. To the extent that ownership is shared with a third party, we have made no deductions or allowance for this. It therefore follows that the Property being valued is one that the German Joint Venture would be able to sell without third party approvals.

## 11 Valuation

We are of the opinion that the aggregate of the Market Values as at the Valuation Date of the interests in the Properties, subject to the Assumptions and comments in this Valuation Report, is as follows:-

### **Total Freehold Assets (23 Properties)**

**€ 385,260,000**

(Three Hundred and Eighty Five Million Two Hundred and Sixty Thousand Euros)

### **Total Leasehold Assets (1 Property)**

**€ 3,740,000**

(Three Million Seven Hundred and Forty Thousand Euros)

**Total Mixed Tenure Assets (1 Properties)**

€ 15,000,000

(Fifteen Million Euros)

**Portfolio Total (25 Properties)**

€ 404,000,000

(Four Hundred and Four Million Euros)

**11.1 VALUE CHANGE**

We have been asked to include an explanation of the difference between the valuation figures set out above and the equivalent figures reported to the Company as at 31 December 2013 for the purposes of the Company's Year End Financial Statements.

As at 31 December 2013, the equivalent Portfolio Total figure was €404,000,000. The total portfolio value has not shifted but has altered slightly in terms of splits between properties due to changes in purchasers' costs, expired lease terms and new lease agreements.

**12 Confidentiality and disclosure**

This Valuation Report has been prepared for inclusion in the Prospectus. The contents of this Valuation Report may be used only for the specific purpose to which they refer. Before this Valuation Report, or any part thereof is reproduced or referred to, in any document, circular or statement and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, DTZ's written approval as to the form and context of such publication or disclosure must first be obtained, but may not be unreasonably withheld or delayed where it relates to the Transaction. For the avoidance of doubt such approval is required whether or not DTZ is referred to by name and whether or not the contents of our Valuation Report are combined with other such reports. We confirm that we have given and not withdrawn our written consent to the inclusion of this Valuation Report in the Prospectus.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

For the purpose of Prospectus Rule 5.5.3R(2)(f), we accept responsibility for the information within this Valuation Report and declare that we have taken all reasonable care to ensure that the information contained in this Valuation Report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1 item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

**Bryn Williams MRICS**  
**International Director**  
**RICS Registered Valuer**

For and on behalf of  
DTZ Debenham Tie Leung Limited

## Appendix 1: Schedule of Properties and Values

Capital & Regional Plc  
Portfolio of 25 Retail Properties in Germany  
Date of Report 23 June 2014  
Valuation date 31 March 2014

### Schedule of values 31.03.2014

Street	Location	ZIP	Federal State	Lettable Area (in sq m)	Status of Ownership	Net Market Value (rounded) (€) at 31.03.2014	Cold Multiplier
Duelwaldstrasse 4	Stadthagen	31655	Lower-Saxony	10,895	Freehold	12,600,000	13.90
Mosel Einkaufszentrum, Triererstrasse	Trier-Kenn	54344	Rhineland-Palatinate	11,636	Freehold	23,500,000	13.35
Siemensstr. 23	Hösbach	63768	Bavaria	14,895	Freehold	8,250,000	11.20
Adolf-Kaschny Strasse 15	Leverkusen	51373	Northrhine-Westfalia	6,600	Leasehold	3,740,000	7.27
Westtangente 3	Bad Sobernheim	55566	Rhineland-Palatinate	7,387	Freehold	9,440,000	13.32
Ümmingerstrasse 90	Bochum	44892	Northrhine-Westfalia	6,388	Freehold	10,080,000	13.99
Anderslebenerstrasse 7	Oschersleben	39387	Saxonia-Anhalt	12,545	Freehold	9,500,000	12.09
Debyestrasse 51	Aachen	52708	Northrhine-Westfalia	2,785	Freehold	2,240,000	10.67
Hitzfeldstrasse 1	Kirchheimbolanden	67292	Rhineland-Platz	2,563	Freehold	3,360,000	11.99
Auf Bollen 21	Balingen	72336	Baden-Wurtemberg	7,456	Freehold	10,000,000	13.89
Hafenstrasse 10-30	Heide	25746	Schleswig-Holstein	4,619	Freehold	5,640,000	22.61
Schleefstraße 15-17	Dortmund	44287	Northrhine-Westfalia	33,939	Freehold	59,825,000	13.41
Farmstrasse 101	Morfelden-Walldorf	64546	Hessen	12,198	Freehold	22,410,000	14.19
Gremberger Straße 200	Köln	51105	Northrhine-Westfalia	8,986	Mixed	15,000,000	14.06
Roonstrasse 6	Herne	44629	Northrhine-Westfalia	7,697	Freehold	13,100,000	10.85
Industriestrasse 22	Sinzheim	76547	Baden-Wurtemberg	16,536	Freehold	20,000,000	12.78
Nahering 3	Ingelheim	52218	Rhineland-Palatinate	10,245	Freehold	21,530,000	14.20
Ziegelstrasse 232	Luebeck	23556	Schleswig-Holstein	29,077	Freehold	47,860,000 <sup>1</sup>	13.98
Mannheimerstrasse 2a	Brühl	68782	Baden-Wurtemberg	20,187	Freehold	19,350,000	12.92
Werkstraße 17	Hamel	31789	Lower-Saxony	16,893	Freehold	24,000,000	13.28
Liebenwerdaerstraße 46	Lauchhammer	1979	Brandenburg	17,203	Freehold	16,900,000	12.22
Marburgerstraße 11	Kreuztal	57223	Northrhine-Westfalia	6,369	Freehold	1,275,000 <sup>1</sup>	n/a
Marler Stern 57, Bergstr.	Marl	45768	Northrhine-Westfalia	8,795	Freehold	17,000,000	13.31
Friedrich Lueg Strasse 2-8	Bochum (Wattenscheid)	44866	Northrhine-Westfalia	10,040	Freehold	4,700,000	12.05
Raiffeisenstraße 22	Schwäbisch Hall	74523	Baden-Wurtemberg	19,827	Freehold	22,700,000	10.64
<b>TOTAL</b>						<b>404,000,000</b>	

1 Sale completed on these properties post 31 March 2014 at the valuation stated

## PART XIV

### INFORMATION ON THE NEW ORDINARY SHARES

#### Description of the type and class of securities admitted

The New Ordinary Shares will be Ordinary Shares with a nominal value of £0.01 each. The ISIN of the New Ordinary Shares will be GB0001741544, being the same ISIN as that of the Existing Ordinary Shares.

The New Ordinary Shares will be created under the Companies Act and the Articles. Following the Capital Raising, the Company will have one class of Ordinary Shares, the rights of which are set out in the Articles.

The New Ordinary Shares will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests, and rank in full for all dividends and distributions on the ordinary share capital of the Company declared, made or paid after the date of their allotment and issue.

#### Listing

Application will be made to the UK Listing Authority and the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings will commence in the New Ordinary Shares at 8.00 a.m. on 14 July 2014. Listing of the New Ordinary Shares will not be sought on any stock exchange other than the London Stock Exchange.

#### Form and currency of the New Ordinary Shares

The New Ordinary Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will, in respect of Shareholders, be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of the Company). The registrar of the Company is Equiniti.

If any New Ordinary Shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with the Articles and applicable legislation.

The New Ordinary Shares will be denominated in sterling.

#### Rights attached to the New Ordinary Shares

Each New Ordinary Share will rank *pari passu* in all respects with each Existing Ordinary Share and have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as the other Ordinary Shares, as set out in the Articles. These rights are set out in paragraph 4 of Part XVI (*Additional Information*) of this document.

#### Resolution, authorisations and approvals relating to the New Ordinary Shares

The New Ordinary Shares will be created, allotted and issued pursuant to the authority to be granted under the Resolutions.

#### Dates of issue and settlement

The New Ordinary Shares are expected to be issued and allotted on 14 July 2014.

#### Description of restrictions on free transferability

Save as set out below, the New Ordinary Shares are freely transferable.

The Company may, under the Companies Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, among other things, that any transfer of the shares which are the subject of the statutory notice is void.

The Directors may also, without giving any reason, refuse to register the transfer of any Ordinary Shares which are not fully paid.

## **Mandatory takeover bids, squeeze-out and sell-out rules**

### ***Mandatory bids***

Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with any persons acting in concert) an interest in shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### ***Squeeze-out rules***

Under the Companies Act, if a 'takeover offer' (as defined in section 974 of the Companies Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the 'Offer Shares') and not less than 90 per cent. of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

### ***Sell-out rules***

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares. The offeror is required to give any shareholder notice of his right to be bought out within one month of that right arising.

The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

### ***Takeover bids***

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

## **Taxation**

Please see Part XV (*United Kingdom Taxation*) of this document for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of New Ordinary Shares irrespective of their tax residence).

## **Certain ERISA Considerations**

ERISA imposes certain duties on persons who are fiduciaries of employee benefit plans (as defined in section 3(3) of ERISA) ("**ERISA Plans**") and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties

include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Section 406(a) of ERISA and section 4975 of the Internal Revenue Code prohibits certain transactions involving the assets of ERISA Plans or plans described in section 4975(e)(1) of the Internal Revenue Code (together with ERISA Plans, "**Plans**") and Parties In Interest or Disqualified Persons having certain relationships to such plans and entities. A Party In Interest or Disqualified Person who engages in a non-exempt prohibited transaction may be subject to non-deductible excise taxes and other penalties and liabilities under ERISA and/or the Internal Revenue Code.

The United States Department of Labor, the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and the Internal Revenue Code, has issued a regulation (the "**Plan Asset Regulation**", codified at 29 C.F.R. § 2510.3-101) that specifies the circumstances under which the underlying assets of an entity are treated for the purposes of ERISA as assets of a plan, and are subject to the fiduciary provisions of ERISA, including the prohibited transaction provisions of ERISA, and the prohibited transaction provisions of the Internal Revenue Code, by reason of the plan's investment in the entity. Under the Plan Asset Regulation, when a Plan invests in an "operating company," the Plan's assets include its investment, but do not, solely by reason of such investment, include any of the underlying assets of the operating company. The term "operating company" is generally defined in the Plan Asset Regulation to mean an entity that is primarily engaged, directly or through a majority owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital. The Plan Asset Regulation also treats an entity that qualifies as a "real estate operating company" ("**REOC**") as an operating company. In addition, the Plan Asset Regulation provides that if equity participation in any entity by Benefit Plan Investors is not "significant" then the entity's underlying assets will not be treated as "plan assets." Equity participation by Benefit Plan Investors in an entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, having discretionary authority or control over the assets of the entity or providing investment advice with respect to the assets of the entity for a fee, direct or indirect, or any affiliates of such persons) is held by Benefit Plan Investors. Governmental, certain church, non-U.S. and other plans, while not subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Internal Revenue Code may nevertheless be subject to state, local, federal or non-U.S. laws that are similar to the foregoing provisions of ERISA and the Internal Revenue Code. Fiduciaries of any such plans should seek financial advice from an independent financial adviser before acquiring any Ordinary Shares.

The Company believes that its underlying assets are currently not plan assets for the purposes of ERISA. In an effort to prevent the Company's assets from being treated as plan assets for the purposes of ERISA, the Articles of Association of the Company provide that if the ownership of Ordinary Shares by an investor would, in the Board's reasonable judgment, result in the Company's assets being deemed to constitute "plan assets" under the Plan Asset Regulation, the Board may serve a notice upon the investor requiring him or her to transfer some or all of his or her Ordinary Shares to an eligible transferee within 14 days of receipt of such notice or such longer period as the Board considers reasonable. If, within 14 days or such longer period as the Board considers reasonable, the transfer notice has not been complied with, the Company may sell the relevant Ordinary Shares on behalf of the investor by selling them to an eligible transferee. Furthermore, the Company will maintain a register of Benefit Plan Investors to supervise the ownership of Ordinary Shares by Benefit Plan Investors. In addition, save if the Company otherwise agrees in writing, each person that is acquiring New Ordinary Shares will be required to represent, agree and acknowledge that, in the case of an acquirer of New Ordinary Shares that is a current shareholder, the acquisition, holding and subsequent disposition of New Ordinary Shares will not constitute or result in any non-exempt prohibited transaction for such person under section 406 of ERISA or under section 4975 of the Internal Revenue Code or a non-exempt violation of any similar federal, state, local or non-US law and, in the case of a purchaser of New Ordinary Shares that is not a current shareholder, it is not a Benefit Plan Investor or any governmental, church, non-US or other plan subject to any federal, state, local or non-US law similar to the fiduciary responsibility provisions of ERISA or section 4975 of the Internal Revenue Code unless, in the case of a governmental, church, non-US or other plan, the acquisition, holding and subsequent disposition of the New Ordinary Shares or any interest therein will not constitute or result in a non-exempt violation of any similar federal, state, local or non-US law. However, there can be no



assurance that such provisions will be effective to prevent the Company's underlying assets from being treated as plan assets for purposes of ERISA or that the Company's underlying assets will not be treated as plan assets for purposes of ERISA. Investors are advised to should seek financial advice from an independent financial adviser with regard to the acquisition of New Ordinary Shares.

If for any reason the assets of the Company are deemed to be "plan assets", both the Company and fiduciaries causing Plans to acquire or hold New Ordinary Shares could be adversely affected. With regard to the Company itself, although the reach of ERISA outside the United States is uncertain (i) certain transactions that the Company might enter into, or may have entered into, in the ordinary course of its business might constitute non-exempt "prohibited transactions" under ERISA or section 4975 of the Internal Revenue Code, which generally require rescission of prohibited transactions; (ii) various providers of fiduciary or other services to the Company, and any other parties with authority or control with respect to the Company, could be deemed to be Plan fiduciaries or otherwise Parties In Interest or Disqualified Persons by virtue of their provision of such service; and (iii) the payment of certain of the fees by the Company might be considered to be a non-exempt "prohibited transaction" under section 406 of ERISA or section 4975 of the Internal Revenue Code.

With regard to fiduciaries causing Plans to acquire New Ordinary Shares, (i) the underlying assets of the Company could be subject to ERISA's reporting and disclosure requirements, in which case a Plan fiduciary would be required to report the Plan's share of each of the Company's assets as an asset of the Plan; (ii) a fiduciary causing a Plan to make an investment in the equity of the Company could be deemed to have delegated its responsibility to manage the assets of the Plan and could be held responsible under ERISA for investment decisions made by the Company, (iii) it is not clear that section 403(a) of ERISA, which generally requires that all of the assets of a Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of Plans, would be satisfied and (iv) it is not clear that section 404(b) of ERISA, which generally prohibits Plan fiduciaries from maintaining the indicia of ownership of assets of Plans subject to Title I of ERISA outside the jurisdiction of the district courts of the United States, would be satisfied in all instances.

The sale of New Ordinary Shares to a Plan is in no respect a representation by the Company that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for a Plan generally or any particular Plan.

## PART XV

### UNITED KINGDOM TAXATION

#### General

The following statements:

- (A) do not constitute tax advice and are intended only as a general guide to the position under current UK tax law, tax rates and the published practice of HMRC as at the date of this document, either of which is subject to change at any time (possibly with retrospective effect);
- (B) relate only to certain limited aspects of the UK taxation treatment of Qualifying Shareholders and Placees and, except where the contrary is stated, are intended to apply only to those who:
  - (i) are resident and domiciled in (and only in) the UK for UK tax purposes;
  - (ii) hold (or will hold) their Ordinary Shares as investments; and
  - (iii) are (or will be) the beneficial owners of their Ordinary Shares;
- (C) may not apply to certain classes of Qualifying Shareholder or Placee such as, for example, dealers in securities, insurance companies, collective investment schemes and Qualifying Shareholders who have (or who are deemed to have) acquired their Ordinary Shares by virtue of an office or employment; and
- (D) do not apply to Karoo in respect of the Karoo Subscription.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult an appropriate professional tax adviser without delay.

#### Taxation of chargeable gains

##### ***Firm Placed Shares acquired pursuant to the Firm Placing***

The issue of New Ordinary Shares under the Firm Placing will not constitute a reorganisation of the share capital for CGT purposes and, accordingly, any Firm Placed Shares acquired pursuant to the Firm Placing will be treated as acquired separately from any Ordinary Shares held.

##### ***Placing Shares acquired pursuant to the Placing***

The issue of New Ordinary Shares under the Placing will not constitute a reorganisation of the share capital for CGT purposes and, accordingly, any Placing Shares acquired pursuant to the Placing will be treated as acquired separately from any Ordinary Shares held.

##### ***Open Offer Shares acquired pursuant to the Open Offer***

It is anticipated that the acquisition of Open Offer Shares pursuant to the Open Offer up to the level of a Qualifying Shareholder's Basic Entitlement will be regarded by HMRC as a reorganisation of the share capital of the Company for CGT purposes in accordance with HMRC's published practice although specific confirmation has not been requested in relation to the Open Offer. On that basis a Qualifying Shareholder who acquires Open Offer Shares up to the level of his Basic Entitlement will not be regarded as making any disposal of his Ordinary Shares. Instead, the Open Offer Shares acquired by the Qualifying Shareholder and the Ordinary Shares in respect of which they are issued will, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Ordinary Shares. The amount paid for the Open Offer Shares will be added to the base cost of the Ordinary Shares when computing any gain or loss on any subsequent disposal but, for the purposes of calculating the indexation allowance (in the case of corporate shareholders) on a subsequent disposal of Ordinary Shares, the amount paid will generally be taken into account only from the time that the payment was made. In the case of non-corporate Shareholders, indexation allowance is not available.

The issue of Open Offer Shares pursuant to the Open Offer in excess of a qualifying Shareholder's Basic Entitlement will not constitute a reorganisation of the share capital for CGT purposes and, accordingly, any Open Offer Shares acquired pursuant to the Excess Application Facility will be treated as acquired separately from any Ordinary Shares held.

### **Subsequent disposals of New Ordinary Shares**

#### **(A) Individual Shareholders**

If an individual Shareholder sells or otherwise disposes of all or some of the New Ordinary Shares, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to CGT.

An individual Shareholder has an annual exemption (£11,000 for the tax year ending 5 April 2015) and so will only be subject to CGT to the extent his or her total taxable gains in the year (including any gains on the disposal or deemed disposal of his New Ordinary Shares) exceed this annual exemption.

The rate of CGT will depend on the individual Shareholder's total taxable income and gains in the relevant tax year. An individual Shareholder whose total taxable income and gains in the tax year (including gains on a disposal or deemed disposal of New Ordinary Shares) are more than the individual's basic rate band will generally be subject to CGT at 28 per cent. on the gain on the disposal or deemed disposal of the New Ordinary Shares (save for any part of the gain which, when aggregated with his or her other taxable income and gains during the tax year, is less than or equal to the individual's basic rate band). An individual Shareholder whose total taxable income and gains in a given tax year (including gains on a disposal or deemed disposal of New Ordinary Shares) are less than or equal to the individual's basic rate band will generally be subject to CGT at 18 per cent. of the gain on the disposal or deemed disposal of the New Ordinary Shares.

#### **(B) Corporate Shareholders**

A Shareholder within the charge to UK corporation tax that sells or otherwise disposes of all or some of the New Ordinary Shares may, depending on its circumstances and subject to any available exemption or relief, incur a liability to corporation tax.

Chargeable gains realised by Shareholders within the charge to UK corporation tax will be subject to corporation tax at the rate of corporation tax applicable to the company making the disposal or deemed disposal. Such a Shareholder will be entitled to an indexation allowance which may reduce the chargeable gain.

#### **(C) Non-UK tax resident Shareholders**

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not generally be subject to CGT or corporation tax on a disposal of New Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

An individual Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete tax years and who disposes of all or part of his or her New Ordinary Shares during that period may be liable to CGT on his or her return to the UK subject to any available exemptions or reliefs.

### **Taxation of dividends**

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it may make.

A Shareholder's liability to tax on dividends will depend on the individual circumstances of the Shareholder.

#### **(A) Individuals**

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will generally be entitled to a tax credit which may be set off against his or her total income tax liability on the dividend. An individual Shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "**Gross Dividend**") which will generally be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the Gross Dividend, i.e. the tax credit will be one-ninth of the amount of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at a rate or rates not exceeding the basic rate will be subject to income tax on the dividend at the rate of 10 per

cent. of the Gross Dividend so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend.

A UK resident individual Shareholder liable to income tax at the higher rate will be subject to income tax on the Gross Dividend at the rate of 32.5 per cent. but will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a Shareholder will have to account for additional income tax equal to 22.5 per cent. of the Gross Dividend (which equates to 25 per cent. of the net cash dividend received) to the extent that the gross dividend, when treated as the top slice of his or her income, falls above the threshold for higher rate income tax.

A UK resident individual Shareholder liable to income tax at the additional rate will be subject to income tax on the Gross Dividend at the rate of 37.5 per cent. but will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a Shareholder will have to account for additional income tax equal to 27.5 per cent. of the Gross Dividend (which equates to approximately 30.6 per cent. of the net cash dividend received) to the extent that the Gross Dividend, when treated as the top slice of his or her income, falls above the threshold for additional rate income tax.

Where the tax credit exceeds the Shareholder's tax liability, the Shareholder cannot claim repayment of the tax credit from HMRC.

(B) *Companies*

Dividends paid on the Ordinary Shares to corporate Shareholders within the charge of UK corporation tax will be subject to corporation tax. However, generally, (subject to anti-avoidance rules) dividends paid to UK resident companies will fall within one of the exemptions from corporation tax on dividends. Shareholders within the charge to corporation tax are advised to consult their own professional advisers to establish whether they qualify for one of the exemptions.

(C) *Non-residents*

Shareholders resident outside the UK for tax purposes will not generally be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

A Shareholder resident outside the UK for tax purposes may also be subject to foreign taxation on dividend income under the law of the relevant foreign jurisdiction, and should consult his, her or its own tax adviser regarding his, her or its tax liabilities on dividends received from the Company.

(D) *Pension funds*

Other UK resident Shareholders who are not liable to UK tax on dividends, including pensions schemes and charities, will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

### **Stamp duty and SDRT**

The statements below are intended as a general guide to the current UK stamp duty and SDRT position. The stamp duty and SDRT position in relation to New Ordinary shares which are transferred to, or to an agent or nominee for, a person whose business is or includes issuing depository receipts or the provision of clearance services is not considered. Note also that certain categories of person, including market makers, brokers and dealers, may not be liable to stamp duty or SDRT. They may, however, be required to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986.

#### ***Issue of New Ordinary Shares***

No UK stamp duty or UK SDRT will be payable on the issue of New Ordinary Shares pursuant to the Firm Placing, the Placing or the Open Offer.

#### ***Subsequent dealings in New Ordinary Shares***

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring shares. A charge to SDRT will also arise on an unconditional agreement to transfer shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to

the agreement, and stamp duty is paid on that instrument or the instrument is otherwise exempt from stamp duty, a refund of any SDRT already paid can be claimed, and any outstanding liability to SDRT will be cancelled.

An exemption from stamp duty is available on an instrument transferring shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. Where this exemption applies the liability for SDRT will be cancelled.

Paperless transfers of shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect any SDRT arising from the purchaser of the shares on relevant transactions settled within the system. No stamp duty or SDRT will arise on a transfer of shares into the CREST system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

## PART XVI

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Company and the Directors, whose names are set out on page 37 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. INCORPORATION AND REGISTERED OFFICE

- 2.1** Capital & Regional was incorporated and registered in England and Wales on 13 November 1978 under the Companies Act 1948 as a private limited company under the name Legibus Eighteen Limited. On 29 January 1979, it changed its name to Manchester Corn Exchange Estates Limited. On 16 July 1985, it changed its name to Capital & Regional Property Investments Limited. On 19 November 1986, it changed its name to Capital & Regional Properties plc, and re-registered under the Companies Act 1985 as a public limited company. On 10 May 2000, it changed its name to its present name, Capital & Regional plc. On 8 June 2011, the Company adopted new articles of association under the Companies Act. The Company is registered under company number 01399411.
- 2.2** The Company is domiciled in England and Wales and its registered office is at 52 Grosvenor Gardens, London SW1W 0AU. The Company's telephone number is +44 (0)20 7932 8000.
- 2.3** The principal laws and legislation under which the Company operates, and under which the Ordinary Shares have been created, is the Companies Act and regulations made thereunder.
- 2.4** Deloitte LLP, whose address is 2 New Street Square, London EC4A 3BZ are the auditors of the Company. Deloitte LLP is a member of the Institute of Chartered Accountants for England and Wales.

#### 3. THE COMPANY'S SHARE CAPITAL

##### 3.1 Issued Share Capital

The issued, called up and fully paid share capital of the Company on 20 June 2014 (being the latest practicable date prior to the publication of this document) was as follows:

<b>Class of share</b>	<b>Number of shares issued, allotted, called up and fully paid</b>	<b>Amount of share capital</b>
Ordinary Shares of £0.01 each	349,688,796	3,496,887.96
Deferred Shares of £0.09 each	71,348,933	6,421,403.97

The Companies Act abolished the requirement for a company to have authorised share capital, and the Articles adopted by special resolution on 8 June 2011 reflect this. Directors are still limited as to the number of shares they can allot at any one time because allotment authority continues to be required under the Companies Act.

During the period covered by the historical financial information of Capital & Regional incorporated by reference into this document, there has been no issue of share capital of the Company, fully or partly paid, either in cash or for other consideration, and (other than in connection with the Capital Raising and the Capital & Regional Employee Share Plans) no such issues are proposed.

Other than in connection with the Capital & Regional Employee Share Plans, no share capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.



There are no convertible securities, exchangeable securities or warrants in relation to the Company currently in issue, and there are no acquisition rights or obligations over the authorised but unissued share capital of the Company or an undertaking to increase the capital of the Company.

As at the date of this document, the Company does not hold any Ordinary Shares or Deferred Shares in treasury and, other than in connection with the ESOT, there are no Ordinary Shares or Deferred Shares held by or on behalf of the Company itself or by subsidiaries of the Company.

### 3.2 History of share capital

As at 31 December 2010, the first day covered by the historical financial information on Capital & Regional incorporated by reference into this document, 350,612,754 Ordinary Shares and 71,348,933 Deferred Shares were in issue fully paid or credited as fully paid. Since 31 December 2010, there have been the following changes in the issued share capital of the Company as a result of the repurchase of Ordinary Shares by the Company:

<b>Date that Ordinary Shares were repurchased by the Company</b>	<b>Number of Ordinary Shares purchased</b>
23 January 2013	10,000
24 January 2013	42,167
25 January 2013	44,230
28 January 2013	45,722
29 January 2013	25,586
5 February 2013	47,277
7 February 2013	48,577
8 February 2013	47,862
11 February 2013	113,210
12 February 2013	118,017
13 February 2013	156,310
13 March 2013	225,000
<b>Total</b>	<b>923,958</b>

### 3.3 Authorisations relating to share capital

Details of the Resolutions to be passed in connection with the Acquisition and Capital Raising are set out in the Notice of General Meeting.

The Resolutions include a resolution to grant the Directors authority to allot Ordinary Shares up to an aggregate nominal value of £3,510,638.30 (representing 100.4 per cent. of the Existing Ordinary Shares as at 20 June 2014, being the latest practicable date prior to the publication of this document). This authority shall expire (unless previously renewed, varied or revoked) at the earlier of the conclusion of the next annual general meeting of the Company after the date on which this resolution is passed and the date which is 18 months from the passing of the resolution. The Directors intend to utilise the authority for the purposes of the Capital Raising.

The Resolutions also include a resolution to permit the Directors to allot shares as if the pre-emption rights set out in section 561 of the Companies Act did not apply, up to an aggregate nominal value of £3,510,638.30 (representing 100.4 per cent. of the Existing Ordinary Shares as at 20 June 2014, being the latest practicable date prior to the publication of this document)

### 3.4 Share capital following Admission

The issued, called up and fully paid share capital of the Company immediately following Admission is expected to be as follows:

<b>Class of share</b>	<b>Number of shares issued, allotted, called up and fully paid at Admission</b>	<b>Amount of share capital £</b>
Ordinary Shares of £0.01 each	700,752,626	7,007,526.26
Deferred Shares of £0.09 each	71,348,933	6,421,403.97

### 3.5 Potential dilution and share rights

Subject to the passing of the Resolutions at the General Meeting and the other conditions set out in this document being fulfilled, 351,063,830 New Ordinary Shares will be issued pursuant to the Capital Raising. Qualifying Shareholders who take up their entitlements in full in respect of the Open Offer (and who are not also Firm Placees or Placees) will suffer a dilution of 10.0 per cent. to their holdings in the Company as a result of the Capital Raising. Furthermore, if a Qualifying Shareholder (who is not also a Firm Placee or a Placee) does not take up in full the offer of New Ordinary Shares under the Open Offer, such Qualifying Shareholder's holding will be diluted by up to 50.1 per cent. as a result of the Capital Raising.

Following completion of the Capital Raising, the New Ordinary Shares will have the same rights in all respects as the Existing Ordinary Shares (including the right to receive all dividends or other distributions declared after the date of issue of the New Ordinary Shares).

## 4. ARTICLES

The Articles are available for inspection at the address specified in paragraph 27 of this Part XVI (*Additional Information*) below.

The Articles, which were adopted pursuant to a special resolution passed on 8 June 2011 contain, amongst other things, provisions to the following effect:

### 4.1 Objects

The Articles contain no specific restrictions on the Company's objects and therefore, by virtue of section 31(1) of the Companies Act, the Company's objects are unrestricted.

#### 4.1.1 Limited liability

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

#### 4.1.2 Voting rights attaching to Ordinary Shares

Subject to paragraph 4.1.8 below, and to any special rights or restrictions attached to any share, on a vote on a resolution (whether on a show of hands or on a poll) every member who, being an individual, is present in person or by proxy or, being a corporate member, is present by a duly appointed representative, shall have one vote for every Ordinary Share held by him, except that on a vote on a resolution on a show of hands at a meeting a proxy has one vote for and one vote against the resolution if the proxy has been duly appointed by more than one member entitled to vote on the resolution and the proxy has been instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more other of those members and wishes to use that discretion to vote in the other way. A proxy need not be a member of the Company.

#### 4.1.3 Joint holders

In the case of joint holders of an Ordinary Share (whether in person or by proxy), the only vote which will count is the vote of the person whose name is listed before the other in the register for the relevant Ordinary Share.

#### 4.1.4 *Variation of rights*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of share may be varied or abrogated in such manner as is provided for in the Companies Act and otherwise with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any treasury shares) or with the authority of a special resolution passed at a separate general meeting of the holders of the shares of that class. The quorum at any such meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class (excluding any treasury shares). At any adjourned meeting, the quorum is one member present in person or by proxy holding shares of the class.

#### 4.1.5 *Alteration of capital*

All new shares created by any increase in the Company's share capital, any subdivision or consolidation and division of its share capital shall be subject to the Companies Act and the Articles. Such new shares shall be unclassified, unless otherwise provided by the Articles, by the resolution creating the shares or by the terms of allotment of the shares.

#### 4.1.6 *Transfer of Ordinary Shares*

A member may transfer all or any of his Ordinary Shares (1) in the case of certificated shares by instrument in writing in any usual or common form, or in any form approved by the Directors: and (2) in the case of uncertificated shares, through any relevant system in which the shares are participating securities (in accordance with the provisions of the CREST Regulations), in accordance with and subject to the requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of, the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Directors may refuse to register any transfer of a certificated share which is not a fully paid share provided that in the case of any class of shares which is admitted to trading on the Official List the refusal could not prevent the shares from continuing to be listed under the Listing Rules. The operator of the relevant system may also refuse to register any transfer of an uncertificated share in the circumstances set out in the CREST Regulations. Subject to that and to paragraph 4.1.8 below, the Articles contain no restrictions on the free transferability of fully paid Ordinary Shares provided that the transfer is in respect of only one class of share, is duly stamped (if stampable), and is deposited at the Company's registered office (or at such other place as the Directors may from time to time determine, and (except where the shares are registered in the name of a market nominee and no certificate has been issued for them) is accompanied (in the case of a certificated share) by the relevant share certificate and such other evidence as the board of directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument is executed by some other person on his behalf, the authority of that person to do so).

#### 4.1.7 *Dividends*

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of the members, and may fix the time for payment of such dividends, but no dividend shall exceed the amount recommended by the directors.

The directors may pay interim dividends (including any dividend payable at a fixed rate) if it appears to the directors that they are justified by the financial position of the Company.

Subject to the rights attached to and subject to paragraph 4.1.8 below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid on the Ordinary Shares during any portion or portions of the period in respect of which the dividend is paid (provided that, no amount paid on a share in advance of calls shall be treated as paid on that share) and may be declared or paid in any currency. The Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his share in one currency shall be paid and satisfied in another, and may agree the basis for conversion to be applied and how and when the

amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved.

No dividend or other money payable by the Company on or in respect of a share carries a right to interest, unless otherwise provided by the rights attached to the share.

The Board may deduct from any dividend or other money payable to any member (either alone or jointly with another) on or in respect of a share all such sums (if any) then payable by him (either alone or jointly with another), to the Company on account of calls otherwise in relation to shares of the Company.

The Board may, with the authority of an ordinary resolution of the Company, offer any holders of any particular class of shares (excluding the Company as holder of treasury shares) the right to elect to receive further shares, credited as fully paid instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution. The Board may decide that the right of election shall not be made available to any members with registered addresses in any territory where, in the opinion of the board, this would be unlawful or compliance with local laws or regulations would be unduly onerous.

The Company may, upon the recommendation of the Board, by ordinary resolution direct that payment of any dividend may be satisfied wholly or in part by the distribution of specific assets including (without limitation) of paid up shares or debenture of another company.

Any dividend unclaimed after a period of 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company.

#### 4.1.8 *Suspension of rights*

If the holder of, or any other person appearing to be interested in, any share has been given notice under section 793 of the Companies Act and that holder or other such person has, at the end of the period of 14 days from service of that notice (or such longer period as may be specified by the Company), failed to give the Company the information required by that notice in relation to that share or made a statement which is false or inadequate in any material particular in relation to that share, such member shall not be entitled to vote at any general meeting or at any separate meeting of the holders of that class of shares or to exercise any other right conferred by membership in relation to general meetings in respect of the shares which are the subject of such notice. Where the interest represents 0.25 per cent. or more in nominal value of the issued shares of their class (excluding any treasury shares), the payment of dividends may be withheld, and no transfer of any shares held by the member shall be registered except as provided for in the Articles.

#### 4.1.9 *Return of capital*

If the Company is being wound up the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how such division shall be carried out as between the members or different classes of members. The liquidator may also vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit but so that no member shall be compelled to accept any assets in respect of which there is any liability.

#### 4.1.10 *Shareholder meetings*

Annual general meetings must be held within the time periods specified by the Companies Act. Other general meetings may be convened by the Board whenever it thinks fit or when one has been requisitioned in accordance with the Companies Act or the Articles.

Save as permitted or required by the Companies Act, an annual general meeting shall be called by notice of at least 21 days, exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. In the case of any other general meeting, at least 14 days' notice shall be given, exclusive of the day on which the notice is served or deemed to be served and the day on which

the meeting is to be held. A general meeting may be called on shorter notice as permitted by the Companies Act.

The quorum requirements in section 318 of the Companies Act shall apply to the Company, except that a person shall not count as a “qualifying person” for this purpose unless (in addition to satisfying the requirements of the Companies Act) he is entitled to vote on the business to be transacted at the meeting.

Every notice calling a meeting of the Company must state the time and date of the meeting and the place of that meeting including identification of the principal venue, and any other place at which the meeting is to be held in accordance with the Articles. The notice shall also include details of any arrangements, for persons entitled to attend a general meeting, to be able to view and hear the proceedings of, and to speak at, that meeting from a location which is not classified as a meeting place (making clear that participation in these arrangements will not amount to attendance at the meeting to which the notice relates).

If any notice, appointment of proxy, document or other information relating to a general meeting is accidentally not given to or received by any person entitled to it, the proceedings at the general meeting shall not be invalid as a result.

With the consent of any general meeting at which a quorum is present the chairman may, and shall if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and to the same or another place. The chairman may, without consent of the meeting, interrupt or adjourn any general meeting if he is of the opinion that it has become necessary to do so because it is impracticable to hold or continue the meeting because of the numbers wishing to attend, the conduct of any persons attending the meeting prevents or is likely to prevent the orderly conduct of the business of the meeting, in order to protect the safety of any person attending the meeting, (where a general meeting is being held at more than one place) the facilities at any such place have become inadequate for the purpose, or an adjournment is otherwise necessary so that the business of the meeting may be properly conducted. Notice of adjournment or of the business to be transacted at the adjourned meeting is not required unless the meeting is adjourned for 30 days or more, or indefinitely, in which case at least seven clear days’ notice is required. No business shall be dealt with at any adjourned meeting, the general nature of which was not stated in the notice of the original meeting.

#### 4.1.11 *Deferred Shares*

The Deferred Shares shall have the following rights and shall be subject to the following restrictions:

On a winding-up or other return of capital, the holders of Deferred Shares shall be entitled only to payment of the nominal amounts paid up on those shares, after repayment to the holders of Ordinary Shares of the nominal amount paid up on those Ordinary Shares and the payment in cash or in specie of £10,000,000 on each of those Ordinary Shares.

The holders of Deferred Shares shall not be entitled to receive any dividend or other distribution or to receive notice of, or to attend, speak or vote at, any general meeting of the Company. The Deferred Shares are not transferable other than as follows:

The Company shall have an irrevocable authority from each holder of the Deferred Shares (i) to appoint any person to execute a transfer of Deferred Shares on behalf of its holder to such person(s) as the Company may determine without making any payment for them; (ii) to repurchase the Deferred shares in accordance with the Companies Act for an aggregate consideration of one pence; and (iii) to cancel the Deferred Shares in accordance with the Companies Act.

#### 4.1.12 *Uncertificated shares*

In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the Articles or otherwise in effecting any action. Any provision in the Articles in relation to uncertificated shares which is inconsistent with any applicable statutory provision shall not apply and the Board may decide the manner in which such powers, functions and



actions shall be so exercised or effected. The Company may, by notice to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the Board may determine that shares held by a person in uncertificated form and in certificated form shall be treated as separate holdings but they shall not be treated as separate classes of shares.

#### 4.1.13 *Limitations on shareholdings by certain relevant holders*

The Articles contain provisions designed to limit the rights of persons holding shares in the Company who (1) are resident in the United States of America and are not “qualified purchasers” within the meaning of the US Investment Company Act of 1940, as amended, or (2) hold the shares through (i) an employee benefit plan (as defined in section 3(3) of ERISA (ii) any plan to which section 4975(e)(1) of the Internal Revenue Code of 1986, as amended, applies or (iii) any entity whose underlying assets include plan assets by reason of a plan’s investment in the entity.

#### 4.1.14 *Appointment of Directors*

Unless otherwise determined by ordinary resolution of the Company, the number of Directors of the Company shall not be less than two or more than 16. There is no requirement for a Director to hold any shares in the Company.

#### 4.1.15 *Removal of Directors*

Subject to the provisions of the Articles, the Company may by ordinary resolution appoint a person who is willing to act as a Director to fill a vacancy or as an additional Director. The Directors may appoint a person who is willing to act as a Director, either to fill a vacancy or as an additional Director. In either case, the number of Directors shall not exceed the maximum fixed by or in accordance with the Articles as the maximum number of Directors. A Director so appointed shall hold office only until the next following annual general meeting when he shall retire from office and be eligible for reappointment. If not reappointed at such annual general meeting, he shall vacate office at its conclusion.

At each annual general meeting one-third of the Directors or, if their number is not three or an integral multiple of three, the number nearest to but not exceeding one-third, shall retire from office. Notwithstanding anything else in the Articles, each Director must retire at the third annual general meeting following his appointment or re-appointment in a general meeting.

In addition to any power of removal conferred by the Companies Act, the Company may by ordinary resolution remove any Director before the expiration of his period of office. Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company.

#### 4.1.16 *Interests of Directors*

A Director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing or varying the terms of appointment), or the termination of his own appointment, as the director of, or the holder of any other office or place of profit with, the Company or any undertaking in which the Company is interested. However, where proposals for such resolutions relate to two or more Directors, those proposals may be divided and a resolution may be put in relation to each director separately and in such case each of the Directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning him.

Save as otherwise provided in the Articles, a Director shall not vote (or be counted in the quorum) in respect of any transaction or arrangement or any other proposal in which he (or any person connected with him) has an interest which may reasonably be regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted.

The Directors may, to the fullest extent permitted by law in accordance with the Articles, authorise a Director to be involved in any matter which would otherwise constitute or give rise to a breach by a director of his duty under the Companies Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts or



possibly may conflict with the interests of the Company (including a breach which would arise by virtue of his appointment as Director).

A Director may (unless otherwise prohibited under the Articles) vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- 4.1.16.1 any transaction, arrangement or proposal in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
- 4.1.16.2 the giving of any guarantee, security or indemnity in respect of:
  - 4.1.16.2.1 money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or
  - 4.1.16.2.2 a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- 4.1.16.3 any arrangement, transaction or proposal concerning the issue or offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;
- 4.1.16.4 any transaction, arrangement or proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he (together with persons connected with him) does not hold an interest representing one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;
- 4.1.16.5 any transaction or arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the transaction or arrangement relates;
- 4.1.16.6 the purchase or maintenance of insurance either for or for the benefit of any director or persons who include directors;
- 4.1.16.7 the giving of any indemnity against liability incurred by him in connection with his duties, powers or office in relation to the Company or any of its subsidiary undertakings, where all other directors are also offered indemnities on substantially the same terms; and
- 4.1.16.8 any transaction, arrangement or proposal relating to the funding of expenditure incurred by him in defending proceedings in connection with his duties, powers or office in relation to the Company or any of its subsidiary undertakings (or enabling him to avoid incurring such expenditure), where all other directors are also offered a transaction, arrangement or proposal on substantially the same terms.

No Director shall, by reason of his office as a Director (or by reason of the fiduciary duty established by holding that office), be liable to account to the Company for any benefit derived from any aforementioned matter to the extent that the matter has been authorised by the Board in accordance with the Articles or arrangement shall be liable to be avoided by reason of any interest of a director to the extent that it has been so authorised.

#### 4.1.17 *Remuneration of Directors*

The fees of the Directors (other than any director who holds an executive office or employment with the Company or any subsidiary of the Company) for their services as Directors shall not exceed in aggregate £450,000 per annum (or such higher amount as the Company may decide to set by ordinary resolution). Subject to this limit, a Director shall be paid a fee (to accrue from day to day) at such rate as the directors may decide.

Any Director who holds any executive office (including the office of chairman or deputy chairman whether or not such office is held in an executive capacity) or who serves on any committee or who acts as trustee of a retirement benefits scheme or employees' share scheme or who otherwise performs services which, in the opinion of the directors are beyond the ordinary duties of a Director may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may decide in accordance with the Articles.

The Company will pay to any Director all proper and reasonable expenses incurred by him in attending and returning from meetings of the Board or of any committee or general meetings or otherwise.

The Board may exercise all the powers of the Company to pay or provide any benefits, annuities, allowances, emoluments or gratuities (whether in relation to retirement, death, disability, encouraging or facilitating the holding of shares or otherwise) to, or for the benefit of, any person who is or has been at any time a director of, or in the employment or service of the Company or any other undertaking which is or was at some time the parent undertaking of the Company, a subsidiary undertaking of the Company (or of such parent undertaking), or otherwise associated with the Company or any such parent or subsidiary undertaking (and to the families and other relatives or dependents of such person). For this purpose the Board may pay premiums or establish and maintain, participate in or make loans or contributions to, any trust, scheme, association, arrangement or fund.

#### 4.1.18 *Indemnity of directors*

As far as the applicable statutory provisions allow, the Company may:

- 4.1.18.1 indemnify any Director (or of an associated company) against any liability incurred by or attaching to him in connection with his duties, powers or office in relation to any such company of which he is or was a director or other officer;
- 4.1.18.2 indemnify a Director (or of an associated company) that is a trustee of an occupational pension scheme against any liability incurred in connection with such company's activities as trustee of the scheme; and
- 4.1.18.3 provide any Director referred to in 4.18.1 or 4.18.2 above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil proceedings or in connection with an application for relief (or to enable any such director to avoid incurring such expenditure) and otherwise take any action to enable any such Director or former Director to avoid incurring such expenditure.

#### 4.1.19 *Borrowing powers*

Subject as provided in these Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking and property (both present and future), including its uncalled capital for the time being or any part thereof and subject to and in accordance with applicable Statutes, to issue debentures, redeemable or perpetual, and other securities, whether outright or as collateral security for any guarantee, debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) for the time being so as to ensure (as regards subsidiaries so far as by such exercise they can ensure) that the aggregate amount for the time being remaining undischarged of all monies (exclusive of intra-Group borrowings) borrowed by

the Group (which for the purposes of this article shall mean the Company and its subsidiaries for the time being) shall not at any time without the prior sanction of an ordinary resolution of the Company exceed a sum equal to two and a half times the aggregate of the amount paid up on the share capital of the Company and the amounts standing to the credit of the capital and revenue reserves of the Company and its subsidiaries (including any share premium account and the balance of profit and loss account) all as shown by the latest audited consolidated balance sheet of the Group but after certain adjustments as set out in the Articles.

#### 4.1.20 *Change of name*

The Board may change the name of the Company.

#### 4.1.21 *Forfeiture of shares*

If the whole or any part of any call or instalment of a call remains unpaid after the due date for payment, the board may give notice to the person from whom it is due requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued on it and any costs, charges and expenses incurred by the Company by reason of such non-payment.

If the requirements of a notice are not complied with, any share to which that notice relates may, at any time before the payment required by that notice has been made, be forfeited by a resolution of the Board. The forfeiture shall include all dividends and other payments or distributions declared in respect of the forfeited share and not actually paid or distributed before forfeiture. The Board may accept a surrender of any share liable to be forfeited.

A share so forfeited or surrendered shall become the property of the Company and may (subject to the applicable statutory provisions) be sold, re-allotted or otherwise disposed of, either to the person who was before such forfeiture or surrender the holder of the share or to any other person on such terms and in such manner as the board shall decide. This can be with or without a credit for all or any part of the amount previously paid on the share.

#### 4.1.22 *Communications by the Company*

Subject to these Articles and all applicable statutes, any notice or document to be given under these Articles (other than a notice calling a meeting of the board) shall be in writing.

Subject to applicable statutes and any other provisions of the Articles, any notice, document or information to be given, sent or supplied by the Company to a member or any other person may (in the Company's discretion) be given, sent or supplied by any means allowed for by and in accordance with the Companies Act including, without limitation, in hard copy form, in electronic form or by means of a website.

A member whose address on the register is not within the United Kingdom and who gives to the Company a postal address within the United Kingdom at which notices, documents or information may be given or sent to him shall be entitled to have any notice, document or information given or sent to him at that address. Otherwise a member whose registered address is not within the United Kingdom shall not be entitled to receive any notice, document or information from the Company even if he has supplied an address for the purpose of receiving notices, documents or information by electronic means.

In the case of joint holdings, all notices, documents and information shall be given or sent to the joint holder whose name appears first in the register and this shall be sufficient delivery to all the joint holders in their capacity as such. A joint holder having no registered address in the United Kingdom and not having given a postal address within the United Kingdom at which notices may be given to him shall be disregarded.

## 5 DIRECTORS OF THE COMPANY

Brief biographical details of the Directors are as follows:

(a) John Clare CBE, Chairman

John Clare was appointed a non-executive director and Chairman of the Board in 2010 and is the Chairman of the Nomination Committee. Mr Clare 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 chairman of Job Centre Plus between 2006 and 2012 and Chairman of Dreams Plc between 2008 and 2011.

(b) Hugh Scott-Barrett, Chief Executive

Hugh Scott-Barrett was appointed to the Board in April 2008 as Chief Executive. 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. Mr Scott-Barrett worked at SBC Warburg and Kleinwort Benson prior to joining ABN AMRO. Mr Scott-Barrett 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.

(c) Charles Staveley, Group Finance Director

Charles Staveley was appointed to the Board as Group Finance Director in October 2008. He qualified as a Chartered Accountant with Arthur Andersen and has additional tax and treasury qualifications. Before joining Capital & Regional he was Head of Treasury and Tax at Colt Telecommunications, prior to which he held roles with various other companies including De La Rue plc, Textron Inc and Novar plc.

(d) Mark Bourgeois, Executive Director

Mark Bourgeois was appointed to the Board as an executive director in August 2013. Mr Bourgeois 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. Mr Bourgeois joined Capital & Regional in 1998 and has been responsible for managing the shopping centre business since 2009.

(e) Kenneth Ford, Executive Director

Kenneth Ford has been involved in commercial real estate for over 30 years, and was appointed to the Board as an executive director in April 1997. Mr Ford is responsible for the development of new business initiatives and has oversight of Capital & Regional's joint ventures. Mr Ford is a Fellow of the Royal Institute of Chartered Surveyors.

(f) Neno Haasbroek, Non-executive Director

Neno Haasbroek was appointed to the Board as a non-executive director in September 2009. Mr Haasbroek was a co-founder of Attfund Limited (a public unlisted property investment company in South Africa) until the company was restructured into Attfund Retail Limited and sold to Hyprop Investments Limited (a REIT listed on the Johannesburg Stock Exchange in South Africa) on 1 September 2011. He is a director of the Parkdev group of companies and serves on the board of Karoo.

(g) Tony Hales CBE, Non-executive Director

Tony Hales was appointed to the Board as a non-executive director in August 2011 and is a member of the Audit, Remuneration and Nomination Committees. Mr Hales is currently Chairman of Canal & River Trust, Senior Independent Director of International Personal Finance plc and chairs NAAFI Pension Fund Trustees. Mr Hales 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.

(h) Philip Newton, Non-executive Director

Philip Newton was appointed to the Board as a non-executive director in July 2006 and is Chairman of the Remuneration and Responsible Business Committees and member of the Audit Committee. He is also the senior independent non-executive director. Mr Newton is the former Chief Executive 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. Mr Newton's early career was in the District Valuer's Office and then the property development industry.

(i) Louis Norval, Non-executive Director

Louis Norval was appointed to the Board as a non-executive director in September 2009. Mr Norval was a co-founder and Chief Executive of Attfund Limited (a public unlisted property investment company in South Africa) until the company was restructured into Attfund Retail Limited. He was Executive Chairman of Attfund Retail Limited when it sold to Hyprop Investments Limited (a REIT listed on the Johannesburg Stock Exchange in South Africa) on 1 September 2011. Louis is the Managing Director of the Parkdev group of companies and also serves on the board of Hyprop Investments Limited.

## 6 SENIOR MANAGERS

Other than the Directors, the Group has no senior managers.

## 7 INTERESTS OF THE DIRECTORS

Save as set out in paragraph 7.1 below, no Director has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

### 7.1 Directors' shareholdings

As at 20 June 2014 (being the latest practicable date prior to the publication of this document), the beneficial interests of the Directors and their connected persons (as defined in sections 252 to 255 of the Companies Act) are as follows:

Director	Number of Existing Ordinary Shares	Percentage of existing issued ordinary share capital
John Clare	296,300	0.0847
Hugh Scott-Barrett	1,352,055	0.3866
Charles Staveley	283,121	0.0810
Mark Bourgeois	215,000	0.0615
Kenneth Ford	1,579,432	0.4517
Philip Newton	163,800	0.0468
Louis Norval	102,427,163	29.2909
Neno Haasbroek	102,042,913	29.1811
Tony Hales	150,000	0.0429

The beneficial interests of the Directors and their connected persons (as defined in section 252 of the Companies Act) in the Ordinary Shares as are expected to subsist immediately following Admission, are as set out below (on the assumption that the Directors and their connected persons take up their respective Open Offer Entitlements and apply for the number of Excess Shares pursuant to the Excess Application Facility, both as set out in paragraph 11 of Part I (*Letter from the Chairman of Capital & Regional plc*) of this document):

<b>Director</b>	<b>Number of Ordinary Shares following Admission</b>	<b>Percentage of issued ordinary share capital following Admission</b>
John Clare	592,599	0.08
Hugh Scott-Barrett	1,830,244	0.26
Charles Staveley	510,475	0.07
Mark Bourgeois	387,651	0.06
Kenneth Ford	1,987,852	0.28
Philip Newton	327,600	0.05
Louis Norval	184,575,075 <sup>1</sup>	26.34
Neno Haasbroek	184,190,825	26.28
Tony Hales	299,999	0.04

<sup>1</sup> Investec Wealth & Investment Limited may, in addition, on behalf of a connected person of Louis Norval, potentially underwrite the subscription of up to 22,978,723 New Ordinary Shares pursuant to the Placing on the same terms as all Placees.

Taken together, the combined percentage interest of the Directors and their connected persons (as defined in section 252 of the Companies Act) in the Ordinary Shares expected to subsist immediately following Admission is approximately 27.2 per cent. (on the assumption that (i) the Directors take up their respective Open Offer Entitlements and apply for the number of Excess Shares pursuant to the Excess Application Facility, both as set out in paragraph 11 of Part I (*Letter from the Chairman of Capital & Regional plc*) of this document; (ii) Louis Norval and Neno Haasbroek's respective connected persons take up their Open Offer Entitlements in accordance with the terms of the Parkdev Group Irrevocable Undertaking; and (iii) Kenneth Ford's connected persons take up their Basic Entitlement in full and make no application under the Excess Application Facility).

#### ***Interests of the Directors under the LTIP***

As at 20 June 2014 (being the latest practicable date prior to publication of this document), the Ordinary Shares set out below had been conditionally awarded to the Directors on 16 August 2013 under the LTIP:

<b>Director</b>	<b>Shares subject to Award</b>
Hugh Scott-Barrett	2,038,216
Kenneth Ford	1,127,388
Charles Staveley	1,070,063
Mark Bourgeois	859,872

The Company is planning to make further awards to the Directors under the LTIP after Admission as described at paragraphs 10 of Part I (*Letter from the Chairman of Capital & Regional plc*) of this document and 14.3(g) of this Part XVI (*Additional Information*) of this document.

As described at paragraph 10 of Part I (*Letter from the Chairman of Capital & Regional plc*) of this document, the number of Ordinary Shares subject to these awards may, in accordance with the rules of the LTIP, be adjusted in such manner as the Remuneration Committee determines to address the dilutory impact of the Capital Raising.

#### ***Directors' confirmations***

**7.2** Save as set out in paragraph 7.3 below, none of the Directors have, during the period of five years preceding the date of this document:

7.2.1 been convicted in relation to a fraudulent offence;



- 7.2.2 been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company;
- 7.2.3 been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
- 7.2.4 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

**7.3** John Clare became a director and non-executive chairman of Comet Group Limited on 3 February 2012. While he held such role, Comet Group Limited entered administration on 2 November 2012 and, following the conduct of an administration process, entered creditors' voluntary liquidation on 1 October 2013.

**Conflict of interest**

**7.4** Save for Louis Norval and Neno Haasbroek's respective interests in the Parkdev Parties (insofar as they are significant shareholders of the Company and parties to the Relationship Agreement) and in Karoo (insofar as Karoo is to participate in the Acquisition and the Karoo Subscription):

7.4.1 in respect of any Director, there are no actual or potential conflicts of interests between any duties they have to the Company, either in respect of the Capital Raising, the Acquisition or otherwise, and the private interests and/or other duties they may also have. Save as disclosed in this Part XVI (*Additional Information*), there are no interests, including conflicting ones, that are material to the Capital Raising or the Acquisition;

7.4.2 no director has a material interest in any significant contract with the Company or any of its subsidiaries.

**7.5** No director was selected to be a director of the Company pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Group.

**7.6** No restrictions have been agreed by any Director on the disposal within a certain period of time of his holding in the Company.

**7.7** There are no family relationships between any of the Directors.

**8 REMUNERATION DETAILS, DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT**

**8.1 Executive Directors: service agreements**

Each of the Executive Directors has a rolling service agreement that may be terminated on one year's notice by either party. The service agreements of Hugh Scott-Barrett, Kenneth Ford and Charles Staveley entitle them, on termination of their service agreement, to payment equal to basic salary and the value of benefits for 12 months. Mark Bourgeois' service agreement entitles him to payment equal to basic salary and the value of benefits for the earlier of 12 months from termination or him obtaining full-time employment.

The key provisions of the Executive Directors' service agreements are set out below:

<b>Name</b>	<b>Current annual salary (£)</b>	<b>Maximum bonus as percentage of salary</b>	<b>Benefits</b>	<b>Date of contract</b>	<b>Date of expiry of contract</b>	<b>Notice period</b>
Hugh Scott-Barrett	400,000	100	Pension contribution, private medical, permanent health and critical illness insurance, life cover	9 March 2008	Rolling contract	1 year
Kenneth Ford	295,000	100	Pension contribution, private medical, permanent health and critical illness insurance, life cover	17 May 1996	Rolling contract	1 year

Name	Current annual salary (£)	Maximum bonus as percentage of salary	Benefits	Date of contract	Date of expiry of contract	Notice period
Charles Staveley	280,000	100	Pension contribution, private medical, permanent health and critical illness insurance	1 October 2008	Rolling contract	1 year
Mark Bourgeois	225,000	100	Pension contribution, private medical, permanent health and critical illness insurance, life cover	13 August 2013	Rolling contract	1 year

## 8.2 Non-Executive Directors: Letters of appointment

Non-Executive Directors, including the Chairman, do not hold service contracts and each of the Non-Executive Directors has been appointed pursuant to letters of appointment. Non-Executive Directors have letters of appointment for a fixed three year term. At the end of the initial term, the appointment may be continued by mutual agreement and, subject to the terms of the Articles, the Companies Act and Shareholder approval.

The Non-Executive Directors are not entitled to bonuses, benefits, pensions contributions or to participate in any incentive schemes. The fees payable to the Non-Executive Directors comprise a standard director's fee and a fee, where relevant, for additional responsibilities. Philip Newton receives an additional fee of £5,000 in respect of his position as senior independent Director. Tony Hales receives an additional fee of £5,000 in respect of his position as chairman of the Audit Committee.

In respect of the termination of their appointments, there are no notice obligations and they are not entitled to any payments.

The key provisions of the Non-Executive Directors' letters of appointment are set out below:

Name	Basic fee (£)	Chair fee (£)	Additional fee (£)	Total (£)	Appointment	Date of expiry of appointment	Notice period
John Clare	40,000	85,000	—	125,000	29 June 2010	Rolling contract after end of initial three year term	None
Philip Newton	40,000	—	5,000	45,000	8 August 2006	Rolling contract after end of initial three year term	None
Louis Norval	40,000	—	—	40,000	15 September 2009	Rolling contract after end of initial three year term	None
Neno Haasbroek	40,000	—	—	40,000	15 September 2009	Rolling contract after end of initial three year term	None
Tony Hales	40,000	—	5,000	45,000	1 August 2011	Rolling contract after end of initial three year term	None

Save as set out above, none of the service agreements of the Directors provide for benefits upon termination of employment.

There have been no amendments to the service agreements or letters of appointment of any of the Directors within the period of six months preceding the date of this prospectus.

### 8.3 Directors' emoluments for the financial year ended 30 December 2013

Name	Salary/fees (£)	Bonus (£)	Benefits (£)	Pension supplement (£)	Total (£)
Hugh Scott-Barrett	400,000	160,000	12,000	79,000	651,000
Kenneth Ford	295,000	118,000	10,000	44,000	467,000
Charles Staveley	280,000	112,000	7,000	42,000	441,000
Mark Bourgeois	86,000	34,000	2,000	9,000	131,000
John Clare	125,000	No entitlement	No entitlement	No entitlement	125,000
Philip Newton	45,000	No entitlement	No entitlement	No entitlement	45,000
Louis Norval	40,000	No entitlement	No entitlement	No entitlement	40,000
Neno Haasbroek	40,000	No entitlement	No entitlement	No entitlement	40,000
Tony Hales	45,000	No entitlement	No entitlement	No entitlement	45,000

For the financial year ended 30 December 2013, the total amount set aside or accrued by the Group to provide pension, retirement or similar benefits for the Directors was £226,000.

## 9 BOARD PRACTICES

### 9.1 Introduction

The Board is firmly committed to a high standard of corporate governance. The Company currently complies with the UK Corporate Governance Code as applicable to smaller companies (being those not comprised within the FTSE 350) and has complied with such code in such manner throughout the financial year ended 30 December 2013.

### 9.2 Board structure

The roles of the chairman and chief executive on the Board are, and will continue to be, separate.

As required by the UK Corporate Governance Code in respect of smaller companies, the Board incorporates three non-executive directors, Philip Newton, Tony Hales and John Clare, who are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

Following completion of the Acquisition, the Board intends to seek and appoint another independent non-executive director to the Board which will bring the total number of non-executive directors to six.

Under the terms of the Relationship Agreement, the Company agreed, upon request, to appoint up to two non-executive Directors to the Board pursuant to the right afforded to the Parkdev Parties as described in the summary of the Relationship Agreement set out in paragraph 16 of this Part XVI (*Additional Information*). Since 15 September 2009, Louis Norval and Neno Haasbroek have sat on the Board as the nominees of the Parkdev Parties. The Directors nominated by the Parkdev Parties would not be considered independent for UK Corporate Governance Code purposes as they represent a significant shareholder of the Company however, the Board considers that this does not impede the effective operation of the Board in light of the strength and skills of the independent Non-Executive Directors on the Board. The Board will keep under close review the balance of Directors on the Board.

The Board is responsible for the strategy, effective control and management of the Group. There is a formal schedule of matters specifically reserved for Board approval, which includes approval of the annual and interim accounts, the approval of authority levels below the Board and material acquisitions, disposals and financing arrangements. The Board delegates authority to the executive committee of the Board, which consists of the Executive Directors, in respect of operational decisions and certain transactions within defined, limited parameters. The Board has a regular schedule of meetings together with further meetings as required by the ongoing business of the Company. The executive committee meets on a weekly basis to deal with the ongoing management of the Group.

The Board has established Audit, Remuneration, Nomination and Responsible Business Committees which operate within defined terms of reference, which are made available on the

Company's website ([www.capreg.com](http://www.capreg.com)), and their minutes are circulated to the Board. Philip Newton is the senior independent Non-Executive Director.

### **9.3 Nomination committee**

The Nomination Committee is chaired by John Clare. The other members are Tony Hales and Philip Newton.

The Nomination Committee's responsibilities include making recommendations to the Board on all new Board appointments and succession planning. The Nomination Committee is required to meet at least once a year and meets otherwise as required.

The Nomination Committee also considers, *inter alia*, the structure, size and composition of the Board and its committees, the recommendations to the Board of directors retiring by rotation for re-election by Shareholders, and the renewal of non-executive Directors' letters of appointment.

### **9.4 Remuneration policy and committee**

The Remuneration Committee is chaired by Philip Newton. The other members are Tony Hales and John Clare.

The Remuneration Committee meets regularly during the year. Its responsibilities include:

- determining the remuneration policy of the Executive Directors and senior employees;
- determining the terms of the service agreements, salaries and discretionary bonus payments; and
- determining the awards to be made to all participants in the Company's incentive schemes.

### **9.5 Audit Committee**

The Audit Committee is chaired by Tony Hales. The other members are Philip Newton and John Clare.

The Audit Committee meets regularly during the year. The Audit Committee's responsibilities include:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- reviewing the Company's internal financial controls and the Company's internal control and risk management systems and the biannual Risk Review report;
- making recommendations to the Board in relation to the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence, objectivity and effectiveness;
- reviewing and monitoring the valuation process; and
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance.

### **9.6 Responsible Business Committee**

The Responsible Business Committee is chaired by Philip Newton. The other member of the committee is Mark Bourgeois.

The Responsible Business Committee's responsibilities include reviewing, agreeing and establishing the Company's corporate strategy to ensure that corporate social responsibility is and remains an integral part of the Company's strategy and its implementation in practice. The committee also ensure that there is recognition by all within the Group of the impact of its activities upon all stakeholders including shareholder, employees and the wider community and developing and recommending for acceptance by the Board policies on all key areas of corporate social responsibility.

## 10 OTHER DIRECTORSHIPS AND PARTNERSHIPS

The details of those companies and partnerships outside the Group in which the Directors are, or have been, members of the administration, management or supervisory bodies of partners at any time during the five years prior to the date of this prospectus are as follows:

<b>Name</b>	<b>Current directorships and partnerships</b>	<b>Previous directorships and partnerships</b>
Hugh Scott-Barrett	GAM Holding AG The Goodwood Estate Company Ltd	Winston's Wish
Kenneth Ford	The Edinburgh Development Group Limited Edinburgh Construction Services Limited EFE Limited Pacific Shelf 360 Limited	None
Charles Staveley	None	None
Mark Bourgeois	None	None
John Clare	Comet Group Limited Fruugo.com Limited	Dyson James Limited Dyson James Group Limited Exponent (Rainbow) SPV 1 Limited Hammerson PLC Itsmyfavouriteshop.com Limited JJB Sports PLC Night Realisations PLC
Philip Newton	A.A. Clark Limited Aureole Windsor Limited Nimbus Securities Limited Owl Retail Solutions LLP Talkhealth Partnership Limited The Thoroughbred Breeders' Association Windsor Vehicle Finance Limited Windsor Vehicle Leasing Limited	Cornish Bakehouse Limited Cornish Bakehouse (Bristol) Limited Cornish Bakehouse Investments Limited Cornish Bakehouse UK Limited
Louis Norval	AMZ Holdings Limited Arctospark Atterbury Property Johannesburg Attfund International Clearance Capital (Cayman) Ltd Como Capital Dusty Moon Investments 11 Gerhard Moerdyk Holdco Homestead Group Holdings Limited Hyprop Investments Leopard 220 Investments Norzelberg Property Developments Oceanwise Oceanwise Holdings Parkdev International Asset Managers Parkdev Investments Parkdev SA PDI Investments International	Atterbury Attfund Investment Company Number 1 Atterbury Décor Centre Atterbury Parkdev Consortium Attfund Attfund Retail CCG 097 Share Block Company Die Waterkloof Village Huiseienaarsvereniging ERF 62 Menlyn EXT Ten Formprops 1 Fullimput 160 Gemvest 71 Glenfield Property Glenwood Offices Investments Kristi Maree and Associates Leaderguard Holdings 36 Movies at Woodlands Multi Convenience NIB 8 Share Block NIB 9 Share Block Parkdev

<b>Name</b>	<b>Current directorships and partnerships</b>	<b>Previous directorships and partnerships</b>
	Limited Sezivax Stenham European Shopping Centre Fund IC Stenham Properties ICC Stenpark Management IC Travenna Development Company Trigen Technologies Vidna Holdings Limited Y3K Investments	Parkdev Asset Managers Parkdev Fund Manager Rainprop (RF) Riverport Trading 143 SA Value Marts Stetson Restaurant and Family Grill Sustech Sycom Property Fund Managers TTA Shares Tyger Hills Investments Tyger Hills Office Park Word for Word Marketing
Neno Haasbroek	Adpoint trading 169 Cederberg Fund Clifton Dunes Investments 238 ERF 81 Lynwood Gryphon Finance Hazen Investments Karoo Fund Katwijk Investments Midnight Storm Investments 184 Mystic Blue Trading 314 Oceanwise Oceanwise Holdings Parkdev Holdings Parkdev Properties Parklands Township Developers Scarlet IBIS Investments 70 Stabilis Investment Holdings Stenpark Urban Stone Developments	Attfund Centre South Properties Fairy Glen Properties Four Ways Crossing Retail Centre Parkdev Fund Managers Parkdev International Asset Managers Parkdev Investments Paulshof Twenty Six Sycom Property Fund Managers
Tony Hales	Canal & River Trust International Personal Finance PLC Mirodas Properties Limited NAAFI Incorporated Trustees NAAFI Pension Fund Trustees Services Sound and Vision Corporation (The) Welsh National Opera Limited	Satellite Information Services (Holdings) Limited Workspace Group PLC



## 11 SIGNIFICANT SHAREHOLDINGS

As at 19 June 2014 (being the latest practicable date prior to the publication of this document) and/or immediately following Admission, save as disclosed in paragraph 7.1 of this Part XVI (*Additional Information*) in respect of Directors' interests, the Company had been notified of, or was otherwise aware of, the following persons who were or will be directly or indirectly interested in 3 per cent. or more of the existing issue share capital of the Company:

Shareholder	Number of Existing Ordinary Shares	Percentage of existing issued ordinary share capital	Number of Ordinary Shares following Admission <sup>(1)</sup>	Percentage of issued ordinary share capital following Admission <sup>(1)</sup>
PDI Investment Holdings Limited	82,505,610	23.59	82,505,610	11.7
Karoo Investment Fund S.C.A. SICAV-SIF	0	0.00	73,540,911	10.5
Henderson Global Investors	47,754,383	13.66	47,754,383	6.8
Standard Life Investments	34,843,641	9.96	34,843,641	4.9
Morgan Stanley Investment Management	27,574,701	7.89	27,574,701	3.9
Pinelake International	18,924,243	5.41	27,434,881	3.9
Blackrock	12,773,308	3.65	12,773,308	1.8
APG Asset Management	12,320,147	3.52	12,320,147	1.7
Legal & General Investment Management	11,627,199	3.33	11,627,199	1.6

(1) Assuming no take up of the Open Offer by those entities listed above who were Shareholders as at 19 June 2014, other than Pinelake International which has agreed to acquire 8,510,638 New Ordinary Shares pursuant to the Open Offer under the terms of the Parkdev Group Irrevocable Undertaking.

None of the significant Shareholders referred to above have different voting rights from any other holder of Ordinary Shares in respect of the Ordinary Shares held by them.

The Company is not aware of any person or persons who, directly or indirectly, acting jointly with others or acting alone, exercised or could exercise control over the Company.

The Company is not aware of any arrangements the operation of which may, at a subsequent date, result in a change of control of the Company.

## 12 SUBSIDIARIES

The table below contains a list of the principal subsidiaries, joint ventures and associates of the Company (each of which is considered by the Group to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Group):

Name	Country of Incorporation	Proportion of ownership interest	Proportion of voting power held
Capital & Regional Earnings Limited	Great Britain	100%	100%
Capital & Regional Income Limited	Great Britain	100%	100%
Capital & Regional Holdings Limited	Great Britain	100%	100%
Capital & Regional Property Management Limited	Great Britain	100%	100%
Capital & Regional Units LLP <sup>(1)</sup>	Great Britain	100%	100%
Snozone Limited	Great Britain	100%	100%
Waterside Lincoln Limited Partnership	Great Britain	50%	50%
Kingfisher Limited Partnership	Great Britain	20%	20%
Garigal Asset Management GmbH	Germany	30.06%	30.06%
Capital & Regional Capital Partner Limited	Jersey	100%	100%
Capital & Regional (Europe Holding 5) Limited	Jersey	100%	100%

Name	Country of Incorporation	Proportion of ownership interest	Proportion of voting power held
Capital & Regional (Europe LP) Limited	Jersey	50%	50%
Capital & Regional (Europe LP 2) Limited	Jersey	50%	50%
Capital & Regional (Europe LP 3) Limited	Jersey	50%	50%
Capital & Regional (Europe LP 5) Limited	Jersey	50%	50%
Capital & Regional (Europe LP 6) Limited	Jersey	50%	50%
Euro B-Note Holding Limited	Jersey	49.90%	49.90%
The Mall Unit Trust	Jersey	29.26%	29.26%
Capital & Regional (Jersey) Limited	Jersey	100%	100%

(1) The two members of Capital & Regional Units LLP are Capital & Regional Income Limited and Capital & Regional Partner Limited.

### 13 EMPLOYEES

The average number of employees at the end of the Group's financial years ended 30 December 2011, 2012 and 2013 was as follows:

	2013	2012	2011
Capital & Regional Property Manager	70	79	84
Snozone	281	350	251
<b>Average number of employees</b>	<b>351</b>	<b>429</b>	<b>335</b>

### 14 CAPITAL & REGIONAL EMPLOYEE SHARE PLANS

The Company operates:

14.1 The Capital & Regional plc 2008 Long Term Incentive Plan ("LTIP"); and

14.2 The Capital & Regional plc 2008 SAYE Scheme ("SAYE Scheme"),

pursuant to which awards or options are outstanding (together, the "Capital & Regional Employee Share Plans"). The Company also operates the Capital & Regional Employee Share Ownership Trust 2002 ("ESOT") and the Capital & Regional 2004 Employee Share Trust ("2004 Trust").

Set out below is a brief summary of the principal terms of the Capital & Regional Employee Share Plans, the ESOT and the 2004 Trust.

#### 14.3 Principal terms of the LTIP

(a) *Eligibility*

Under the LTIP, selected employees of the LTIP Group (including executive directors of members of the LTIP Group) may be granted awards under the LTIP ("Awards").

(b) *Structure of Awards*

Awards may be granted as options to acquire Ordinary Shares or contingent share awards (being conditional rights to acquire Ordinary Shares for no consideration). Options may be granted with any exercise price but are typically granted with an exercise price of nil, the nominal value of an Ordinary Share or the market value of an Ordinary Share as at the date of grant.

Options may also be granted under Schedule 4 of ITEPA ("Approved Options") and HMRC has approved the LTIP for these purposes. The exercise price of Approved Options must be at least equal to the market value of an Ordinary Share as at the date of grant of the option. The aggregate market value of Ordinary Shares which may be acquired pursuant to Approved Options and options granted pursuant to any other share option plan approved under Schedule 4 of ITEPA may not exceed £30,000.

(c) *Grant of Awards*

Awards may be granted either by the Company or (having consulted with the Remuneration Committee) the trustees of any employee benefit trust created by a member of the LTIP Group (including the ESOT and the 2004 Trust).

Awards may be granted during the period of 42 days beginning on the dealing day after the Company announces its results for any period. Awards may be made at any other time if exceptional circumstances are considered to exist.

Awards may not be made during periods in which dealing in Ordinary Shares by Directors is prohibited by the Model Code or otherwise.

(d) *LTIP limits*

An Award may not be granted if, at the time of the proposed grant, it would cause the aggregate number of Ordinary Shares made subject to Awards, or placed under option, awarded or issued in the preceding ten year period under any other employee share plan operated by the LTIP Group, to exceed ten per cent. of the ordinary share capital of the Company in issue at such time.

An Award may not be granted if, at the time of the proposed grant, it would cause the aggregate number of Ordinary Shares made subject to Awards, or placed under option, awarded or issued in the preceding ten year period under any other discretionary share plan operated by the LTIP Group, to exceed five per cent. of the ordinary share capital of the Company in issue at such time.

(e) *Individual limits*

The maximum annual value of shares that may be awarded to a participant under the LTIP cannot ordinarily exceed 150 per cent. of the participant's basic salary from the LTIP Group. The share value used for the calculation will be the market value of the shares as at the award date. In exceptional circumstances, Awards of up to 200 per cent. of the participant's basic salary may be made.

(f) *Awards personal to participants*

An Award is personal to the participant and is not transferable (other than on death where it passes to the participant's personal representatives).

(g) *Performance targets*

At the time of making an Award, the Remuneration Committee may set performance targets which must be satisfied before the Award can vest. Such targets will normally be measured over a three year period. Performance targets once set will not be amended or waived unless an event occurs which causes the grantor of the Award to consider that an amended target would be a fairer measure of performance and is not materially less difficult to satisfy or that it is appropriate to waive the target. The Remuneration Committee may, in line with the scheme rules, adjust existing and planned awards to reflect the Capital Raising.

The Awards granted on 16 August 2013 ("**Outstanding Awards**"), which are the only Awards currently outstanding, are subject to a performance target based on the Company's share price at the end of a three year performance period (adjusted to reflect any dividends and other distributions paid during the performance period). No vesting will occur if the share price is below 40 pence. One quarter of an Award will vest at threshold (40 pence) and 100 per cent. of an Award will vest at stretch (70 pence) with straight line vesting in between these points.

It is intended that the Awards proposed to be granted after Admission as described at paragraph 12 of Part I (*Letter from the Chairman of Capital & Regional plc*) of this document ("**Proposed Awards**") will be subject to a similar performance target as the Outstanding Awards with a threshold target of 60 pence and a stretch target of 85 pence, subject to possible adjustment for the Capital Raising, as explained above.

(h) *Vesting of Awards*

An Award will normally vest only on or after the third anniversary of the date of grant subject to the achievement of the performance targets. The Remuneration Committee has the discretion to allow a participant's Award to vest early if he is transferred within

the LTIP Group to work overseas and as a result would suffer less favourable tax treatment in respect of his Award or become subject to a restriction on his ability to hold or deal in the shares acquired or the sale proceeds received.

For existing LTIP grants, the Awards will not be capable of exercise for a period of 12 months following vesting.

For new LTIP grants, following vesting, it is intended that 50 per cent. of the Ordinary Shares vesting under a Proposed Award will not be capable of exercise for a period of 12 months and the balance of the Award will not be capable of exercise for a further period of 12 months.

(i) *Issue and Transfer of Ordinary Shares*

With the exception of “nil-cost” options (which may only be satisfied with existing Ordinary Shares), Awards may be granted over unissued or existing Ordinary Shares.

(j) *Rights attaching to Ordinary Shares*

Ordinary Shares allotted or transferred under the LTIP will rank *pari passu* with Ordinary Shares then in issue (except in respect of rights attaching to such shares by reference to a date prior to the date of exercise).

(k) *Leaving employment*

Where the participant ceases to be employed within the LTIP Group as a result of death or as a result of the company or part of the business by which a participant was employed ceasing to be a member or part of the LTIP Group, a proportion of the Award will vest immediately subject to the achievement of the performance targets. The targets will be tested at the date of cessation of employment. The amount of the Award which may vest will then normally be proportionately reduced by taking into account the period of time the Award has been held by the participant at the date of cessation of employment. An option lapses if it has not been exercised within six months of the date on which employment ceases (12 months in the case of death).

Where the participant ceases to be employed as a result of injury, disability, ill health, redundancy or retirement, no early vesting will occur and the Award will remain in existence and subject to the performance targets. The targets will be tested at the end of the performance period. The amount of the Award which may vest will then normally be proportionately reduced by taking into account the period of time elapsed from the date of award to the date of cessation of employment. An option lapses if it has not been exercised within six months of the date on which the performance conditions are assessed.

If a participant ceases to be employed within the LTIP Group for any other reason prior to the third anniversary of the date of grant of an award, the Award will lapse unless the Remuneration Committee, in its absolute discretion, determines otherwise. In this case, vesting will be subject to the achievement of the performance targets as described above.

(l) *Corporate events*

In the event of a takeover, reconstruction, amalgamation or winding up of the Company, a proportion of the Awards will vest immediately subject to the achievement of the performance targets. If such an event occurs within the three year performance period which causes the Awards to vest early and the performance target has been met at that time or as a result of the event, 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 Remuneration Committee will exercise its discretion to allow full vesting if the performance target has 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.

(m) *Dividends*

If dividends have been paid in respect of the Ordinary Shares during the vesting period, the Remuneration Committee may at its discretion determine that an amount of cash equivalent to such dividends will be payable to an Award holder following vesting based

on the number of Ordinary Shares that vest, subject to the deduction of any applicable income tax and social security contributions. The Remuneration Committee may at its discretion determine that the net amount of any payment shall be delivered in Ordinary Shares.

(n) *Adjustment of Awards*

In the event of any variation of the share capital of the Company, whether by way of a capitalisation issue (other than a capitalisation issue in substitution for or as an alternative to a cash dividend), a rights issue, bonus issue, rights offer or any subdivision, consolidation or reduction in the Company's share capital, the exercise price and/or the number of Ordinary Shares comprised in an Award and/or the description of the Ordinary Shares may be adjusted in such manner as the Remuneration Committee and the grantor of the Award (where the Award is not granted by the Company) determine. Any adjustment to Approved Options must be approved by HMRC.

(o) *Administration*

The Company and the grantor of Awards (where different) administer the LTIP. Where a trustee has made or proposes to make an Award, they must consult with and take account of the views of the Remuneration Committee before making any decision or exercising any discretion under the LTIP.

(p) *Clawback*

Clawback provisions apply to the Outstanding Awards during the 12 month period following vesting. Clawback provisions will apply to the Proposed Awards during the 12 month period following vesting (for 50 per cent. of the Ordinary Shares subject to an Award) and 24 month period following vesting (for the balance of Ordinary Shares subject to the Award). The level of vesting may be reduced (including to nil) if there is a material restatement of any of the accounts of the Company for each of the three years in the performance period or in the event of an act or omission of a participant which entitles his employer to summarily dismiss him.

(q) *Amendments*

The Remuneration Committee may from time to time amend the rules of the LTIP. Certain amendments may not be made for the benefit of existing or future participants without the prior approval by the shareholders in general meeting, save for minor amendments to benefit the administration of the LTIP and amendments which may be necessary or desirable to take account of changes of legislation or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment.

In addition, no amendment can be made which would adversely affect the rights of existing participants in the LTIP without their consent (as if they were a separate class of shareholder).

Certain amendments of the rules relating to Approved Options require the prior approval of HMRC.

#### 14.4 Principal terms of the SAYE Scheme

(a) *Introduction*

Under the SAYE Scheme, participants may enter into a savings contract and be granted a share option which may be exercised upon maturity of the related savings contract. The SAYE Scheme has been approved by HMRC under Schedule 3 to ITEPA.

(b) *Eligibility*

Generally, all UK resident employees and executive directors of a participating company (who in the case of directors are contracted to work at least 25 hours per week for the LTIP Group) are eligible to participate. The Board has the discretion to set a minimum service requirement of up to five years in order for an employee or executive director to be eligible to participate in a particular offer under the SAYE Scheme.



(c) *Grant of Awards*

Options may be granted either by the Company or (having consulted with the Board) the trustees of any employee benefit trust created by a member of the LTIP Group (including the ESOT and the 2004 Trust).

Invitations to apply for an option may be issued during the period of 42 days beginning on the dealing day after the Company announces its results for the period. Invitations may be issued at any other time if exceptional circumstances are considered to exist.

Invitations may not be issued during periods in which dealing in Ordinary Shares by directors is prohibited by the Model Code or otherwise.

(d) *Limits*

No option may be granted under the SAYE Scheme if it would cause the number of Ordinary Shares that have been issued or may be issued pursuant to awards and options granted in the preceding 10 years under the SAYE Scheme or under any other employee share scheme operated by the Company to exceed 10 per cent. of the issued ordinary share capital of the Company at the proposed date of grant.

(e) *Options personal to participants*

An option granted under the SAYE Scheme is personal to the participant and is not transferable (other than on death when it can be exercised by the participant's personal representatives).

(f) *Savings contract*

When an employee accepts an invitation to participate in an issue of options under the SAYE Scheme they are required to enter into a savings contract for a period of three or five years under which they must save between £5 and £500 per month (or such other minimum or maximum amount determined by the Directors and permitted by applicable legislation). The £500 limit is reduced by any other savings contract linked to this or any other savings related share option scheme. These contributions are deducted from the relevant employee's salary.

If the participant ceases to make contributions before the third or fifth anniversary of the commencement of the savings contract, the option will lapse, except in the case of a deferral of contributions for a period of up to six months.

(g) *Exercise price*

The option exercise price shall be determined by the Directors and will be not less than 80 per cent. of the market value of a share on the dealing day, or the average of up to five dealing days, immediately prior to the date of invitation (and, in the case of an option where the Company has determined that the option exercise will be satisfied by the issue of shares directly to the participant, the exercise price shall not be less than the nominal value of a share, if higher).

(h) *Exercise of Options*

During the period of six months following the end of the savings contract, the participant may exercise his option to acquire, at the exercise price, Ordinary Shares up to the total value of his monthly savings contributions (plus any bonus or interest paid thereon where appropriate). Alternatively, the participant may withdraw his contributions and any bonus or interest.

(i) *Leaving employment*

If a participant dies during the savings period, the participant's personal representatives will be able to exercise his option within twelve months starting on the date of death (but only to the extent of the participant's total savings plus any interest or bonus accrued). If a participant dies during the six month period following the end of the savings period, the participant's personal representatives will be able to exercise his option at any time before the first anniversary of the end of the savings period.

If a participant ceases to be employed within the LTIP Group during the savings period either: (i) after the third anniversary of the date of grant of their option (whatever the circumstances); or (ii) at any time due to, injury, disability, redundancy or retirement or



as a result of the company or the part of the business by which the participant was employed ceasing to be a member or part of the LTIP Group, the participant will be able to exercise his option within six months from the date of cessation of employment, but only to the extent of his total savings plus any interest or bonus accrued. If a participant ceases to be employed in any other circumstance before the third anniversary of the date of grant of their option, their option will lapse.

(j) *Corporate events*

In the event of a takeover, reconstruction, amalgamation or voluntary winding up of the Company during the savings period, participants may exercise options early and within a specified period to the extent of their total savings plus any interest or bonus accrued to the date of exercise. If the acquiring company agrees, the option may be exchanged for an option over shares in the acquiring company.

(k) *Rights attaching to Ordinary Shares*

Ordinary Shares allotted or transferred under the SAYE Scheme will rank *pari passu* with Ordinary Shares then in issue (except in respect of rights attaching to such shares by reference to a date prior to the date of exercise).

(l) *Adjustment of Options*

In the event of any variation of the share capital of the Company, whether by way of a capitalisation issue (other than a capitalisation issue in substitution for or as an alternative to a cash dividend), a rights issue, bonus issue, rights offer or any sub-division, consolidation or reduction in the Company's share capital, the exercise price and/or the number of Ordinary Shares comprised in an option and/or the description of the Ordinary Shares may be adjusted in such manner as the Board and the grantor of the options (where the option is not granted by the Company) determine. Any adjustment to options must be approved by HMRC.

(m) *Amendments*

The Board may from time to time amend the rules of the SAYE Scheme. Certain amendments may not be made for the benefit of existing or future participants without the prior approval by the shareholders in general meeting, save for minor amendments to benefit the administration of the SAYE Scheme and amendments which may be necessary or desirable to take account of changes of legislation or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment.

In addition, no amendment can be made which would adversely affect the rights of existing participants in the Capital & Regional Employee Share Plans without their consent (as if they were a separate class of shareholder).

Certain amendments of the SAYE Scheme require the prior approval of HMRC.

(n) *Principal terms of the ESOT*

The ESOT and the 2004 Trust (together, the "EBTs") are discretionary trusts established by the Company to facilitate the operation of the Company's incentive schemes. Beneficiaries of the EBTs include employees and former employees of the LTIP Group. The trustees of the EBTs may grant options and awards to acquire Ordinary Shares to eligible employees under the Company's incentive schemes (having consulted with the Board or the Remuneration Committee (as appropriate)). The trustees may purchase Ordinary Shares in the open market and new Ordinary Shares may be issued by the Company to the trustees. Awards and options granted under the Capital & Regional Employee Share Plans may be satisfied using Ordinary Shares transferred out of the EBTs to participants.

Unless otherwise approved by the Shareholders in general meeting, the number of Ordinary Shares held by the trustee of the 2004 Trust shall not exceed 5 per cent. of the total number of Ordinary Shares in issue from time to time. The 2004 Trust does not currently hold any Ordinary Shares.

As at 20 June 2014 (being the latest practicable date prior to publication of this document) the ESOT holds 1,302,417 Ordinary Shares.

## 15 PENSION BENEFITS

The Company does not operate or provide access to any pension arrangements for the majority of employees at present. However, seven Directors and senior employees have pension contributions paid on their behalf under the terms of their contracts / service agreements (the amounts paid either being a fixed amount or a percentage of salary). The total pension contributions paid by the Company in this way for the financial year ended 30 December 2013 was £245,830.

Going forward, with effect from 1 July 2014, the Company will be required to put in place a workplace pension scheme for staff and pay contributions on their behalf. This is because 1 July 2014 is the Company's staging date for pensions auto-enrolment. This involves employers in the UK enrolling their workers into a pension scheme which meets minimum quality standards and paying contributions on their behalf.

The intention is that the Company will use a group pension arrangement to comply with its auto-enrolment requirements and the minimum level of contributions the Company will need to pay are 1 per cent. of salary for each worker. This will then increase up to a minimum of 2 per cent. by 1 October 2017 and 3 per cent. of salary by 1 October 2018.

## 16 MATERIAL CONTRACTS

### *Capital & Regional's material contracts*

The following is a summary of each of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the Group: (i) within the two years immediately preceding the date of this document which are, or may be, material to the Group; or (ii) at any time and contain obligations or entitlements which are, or may be, material to the Group as at the date of this document:

### **The 2012 Amended Revolving Credit Facility**

On 20 August 2009, Capital & Regional Holdings entered into a revolving credit facility agreement with Bank of Scotland plc ("**BoS**"), which was subsequently amended and restated, most recently on 31 August 2012 (the "**2012 Amended Revolving Credit Facility**").

Pursuant to the 2012 Amended Revolving Credit Facility, BoS has made available to Capital & Regional Holdings a revolving credit facility of up to £25 million (or the equivalent in Euros) to be used for working capital and general corporate purposes as well as financing and refinancing certain acquisitions, investments or capital expenditure.

Each advance is repayable by Capital & Regional Holdings on the last business day of each interest period. The 2012 Amended Revolving Credit Facility shall cease to be available on 31 July 2016 (when it shall become immediately repayable).

Interest is charged at a margin of 3.2 per cent. per annum above LIBOR or EURIBOR (plus mandatory regulatory costs). Interest at a rate of 2 per cent. per annum above the interest rate is payable on any overdue amounts, monthly in arrears, and if not paid, will itself bear interest of an additional 2 per cent. per annum. A non-utilisation fee of 45 per cent. of margin is payable.

If, for four consecutive quarters, the total advances are greater than £15 million, then a utilisation fee (the "**Utilisation Fee**") shall be payable by Capital & Regional Holdings to BoS until such time as advances are nil or outstanding advances have been less than £3 million for two quarters. The Utilisation Fee shall be applied at a rate of 0.40 per cent per annum on the outstanding advances on each day during the relevant quarter.

A number of events would lead to a mandatory prepayment of the 2012 Amended Revolving Credit Facility, including but not limited to, the sale, transfer or disposal of all or substantially all of the business and assets of certain members of the Group, a listing of certain members of the Group or certain change of control events in relation to Capital & Regional Holdings or the Company.

The 2012 Amended Revolving Credit Facility contains various representations, warranties and covenants given by Capital & Regional Holdings (including in relation to other members of the Group) as well as various indemnities to BoS. The financial covenants under the 2012 Amended Revolving Credit Facility are:

- the ratio of total borrowings to net asset value ("**Gearing**") shall not at any time be more than 1:1;

- the ratio of net asset value to BoS borrowings (“**Net Asset Cover**”) shall not at any time be less than 2:1; and
- the ratio of recurring EBITDA to interest (“**Interest Cover**”) shall not be less than 1.5:1; and
- the ratio of consolidated net worth to the facility limit (“**Net Worth**”) shall not at any time be less than 4:1. The consolidated net worth shall not at any time be less than £25 million.

“Net asset value” for these purposes is adjusted in accordance with the terms of the agreement and is dependent upon the level of leverage in the relevant investment. Where the loan to value net of cash is lower than 65 per cent., an amount of 35 per cent. of the net asset value reflected in the Group for the investment in question is included in the calculation. Where the loan to value net of cash is greater than 65 per cent., no net asset value is attributed to that investment in the calculation.

Certain cures are available to a financial covenant breach. During a cure period, the margin will increase by 1 per cent. from the applicable margin.

Events of default customary for a facility of this nature are included. Occurrence of an event of default entitles BoS to cancel the 2012 Amended Revolving Credit Facility and require repayment, as well as entitling BoS to require that default interest is payable on the 2012 Amended Revolving Credit Facility.

Corporate guarantees have been given by the Company and each of Capital & Regional Earnings Limited, Capital & Regional Income Limited, Capital & Regional Units, Capital & Regional Capital Partner Limited, the Capital & Regional Property Manager, Capital & Regional Jersey Limited and Capital & Regional Europe Holdings (the “**Guarantors**”). Capital & Regional Units and Capital & Regional Europe Holdings have granted security over bank accounts in favour of BoS. Capital & Regional Units has granted security over Units it currently holds.

Capital & Regional Europe Holdings Limited has granted security over shares in the following Jersey incorporated limited companies: Capital & Regional (Europe LP) Limited, Capital & Regional (Europe LP2) Limited, Capital & Regional (Europe LP3) Limited, Capital & Regional (Europe LP 5) Limited, Capital & Regional (Europe LP6) Limited (together the “**JV Entities**”) in favour of BoS and the Company and Capital & Regional Europe Holdings have assigned to BoS by way of security certain shareholder loans to the JV Entities (together, the “**JV Related Security**”). In connection with the JV Related Security, the Company and Capital & Regional Europe Holdings and the JV Entities have entered into a deed of termination and adherence with Apollo and BoS, which regulates the position on an enforcement of the JV Related Security and deals, amongst other things, with an amendment to a shareholders agreement between the Company and Apollo dated 19 August 2008 and the articles of association of the JV Entities. BoS has granted an indemnity to Apollo in favour of Apollo, the JV Entities and various other companies involved in the German Properties structure (the “**BoS Indemnity**”). The BoS Indemnity deals with advisory costs as a result of the enforcement of the JV Related Security and costs and tax liabilities incurred as a result of certain enforcement events occurring in relation to the JV Related Security. The aggregate liability of BoS is limited to €2.14 million (ignoring any default interest at 2 per cent. above LIBOR which may become payable under the BoS Indemnity). The Company has provided a counter-indemnity in favour of BoS in respect of the BoS Indemnity.

#### **2014 Amended and Restated Revolving Credit Facility**

On 6 June 2014, Capital & Regional Holdings entered into an amendment and restatement letter with BoS which provides for the amendment and restatement of the terms of the 2012 Amended Revolving Credit Facility and on 12 June 2014 Capital & Regional Holdings and BoS entered into a side letter making further minor amendments (together, the “**2014 Amended and Restated Revolving Credit Facility**”). The 2014 Amended and Restated Revolving Credit Facility came into effect on 6 June 2014 (as amended by the side letter referred to above with effect from 12 June 2014) and includes, among other things, the following amendments:

- The revolving credit facility shall be increased to £50 million (the first £25 million being “**Tranche A**” and the second £25 million being “**Tranche B**”). Tranche B will fall away if not drawn within three months or upon notification that the Aviva Acquisition Agreement will not complete in which case only £25 million will be available pursuant to the revolving credit facility (the “**Reduced Facility**”). The ability to draw in euros shall be removed.

- An additional purpose shall be added whereby Capital & Regional Holdings may use advances towards payment for the Units and related costs and expenses. This is on the condition that on completion of the Aviva Acquisition Agreement the relevant member of the Group owns at least 80 per cent. of the entire issued Units.
- Tranche A shall cease to be available on 31 July 2016 (when it shall become immediately repayable). Tranche B shall cease to be available on 31 December 2015 (when it shall become immediately repayable).
- Tranche A interest shall be charged at a margin of 3.2 per cent. per annum above LIBOR. Tranche B interest shall be charged at a margin of 4.2 per cent. per annum above LIBOR.
- A non-utilisation fee of 45 per cent. of the applicable margin shall be payable.
- If outstanding advances are not reduced to £30 million or less on or before 30 June 2015, Capital & Regional Holdings shall pay to BoS an extension fee of £75,000 by 5.00 p.m. on 1 July 2015.
- Unless the Reduced Facility becomes effective, the Utilisation Fee shall be removed.
- An abort fee of £50,000 shall be payable if Tranche B is cancelled (before a draw-down) or is not drawn-down within three months of signing or if Capital & Regional Holdings notifies BoS that the Aviva Acquisition will not complete.
- Capital & Regional Holdings shall pay an arrangement fee of £625,000 to BoS on the first drawdown of Tranche B.
- Unless the Reduced Facility becomes effective, any proceeds of the sale of any of the properties held by the German Joint Venture (excluding the Lübeck property) or any sale of the Waterside Shopping Centre, Lincoln shall be used to reduce the 2014 Amended and Restated Revolving Credit Facility to £20 million. Unless the Reduced Facility becomes effective, from 1 January 2016, the 2014 Amended and Restated Revolving Credit Facility shall be reduced to £15 million.
- Unless the Reduced Facility becomes effective, any requirement for hedging shall be removed.
- Security over the acquired Units shall be granted to BoS. Deeds of confirmation in relation to existing guarantees and security have been given in favour of BoS.
- Unless the Reduced Facility becomes effective, the financial covenants shall be amended as follows:
  - Gearing shall be changed so that total borrowings to consolidated net worth shall not be more than 50 per cent.;
  - Net Asset Cover shall remain the same;
  - Interest Cover shall be changed to not less than 2:1;
  - prior to the completion of the Aviva Acquisition Agreement, Net Worth shall remain the same;
  - upon and following the completion of the Aviva Acquisition Agreement, Net Worth shall be changed to remove the 4:1 ratio and to require that consolidated net worth shall not at any time be less than £225 million.

“Net asset value” for these purposes is adjusted in accordance with the terms of the agreement and is dependent upon the level of leverage in the relevant investment. Where the loan to value net of cash is lower than 65 per cent., an amount of 50 per cent. of the net asset value reflected in the Group for the investment in question is included in the calculation. Where the loan to value net of cash is greater than 65 per cent., no net asset value is attributed to that investment in the calculation.
- If the Reduced Facility becomes effective, the financial covenants shall revert to those set out in the 2012 Amended Revolving Credit Facility.

## **The German Joint Venture**

### **(a) The German SPA**

On 19 August 2008, the Company and Capital & Regional Europe Holdings entered into a sale and purchase agreement with Apollo Euro B.V. (“**Apollo**”) (with certain obligations of

Apollo guaranteed by Apollo European Real Estate Fund III L.P. and Apollo European Real Estate Fund III (Euro) L.P.) pursuant to which the Company agreed to sell 50 per cent. of its interest in certain companies (except for one entity in which the Company sold a 49.9 per cent. interest) which own freehold interests in commercial retail properties located in Germany (the “**German Business**”) to Apollo for approximately Euro 65.6 million, with certain post completion adjustments (the “**German SPA**”).

Under the German SPA an enhanced share of the distributions from the German Business may be payable by Apollo to the Company by way of additional deferred consideration. The deferred consideration shall be payable if the aggregated distributions of the German Business to Apollo exceeds multiples of 1.6, 1.85 and 2.10 times Apollo’s equity in the German Business (the “**German Equity Multiples**”), such that the Company shall be entitled to receive from Apollo the first Euro 1.25 million of any and all distributions made by any of the German Business to Apollo in excess of each of the German Equity Multiples. On any sale of its shares in the German Business, Apollo shall be liable to pay to the Company the first Euro 1.25 million of any and all sale proceeds received by Apollo in respect of shares in the German Business in excess of each of the German Equity Multiples. Based on the current net asset value, the Directors do not expect any enhanced distributions to be paid.

Under the German SPA, the Company gave to Apollo certain warranties and a tax covenant in a form customary for a transaction of this nature, including an indemnification in respect of certain taxation liabilities of the German Business. The Company’s liability for warranty claims other than claims relating to tax has expired. The Company’s liability for claims relating to tax imposed by a tax authority in Germany expires three months after the earlier of either: (i) the determination of the relevant tax liability by way of a tax assessment after a tax audit; or (ii) the end of the statutory prescription of the relevant tax assessment. The Company’s liability for claims relating to tax imposed by a tax authority outside of Germany expires on 6 October 2015.

(b) The German Shareholders’ Agreements

On 19 August 2008 and 3 October 2008 respectively, the Company entered into two shareholders’ agreements with Apollo establishing a joint venture in relation to the German Business (the “**German Shareholders’ Agreements**”). The German Shareholders’ Agreements relate to the JV Entities and Capital & Regional (Europe Holding 4) Limited (“**Holding 4**”).

The JV Entities and Holding 4 indirectly (either through various single asset German Kommanditgesellschaften or through a further Jersey limited company) own freehold interest in 50 commercial retail properties located in Germany (the “**German Properties**”). The joint venture with Apollo was established to acquire, own, operate, manage, develop, lease and sell the German Properties in accordance with an agreed business plan.

Apollo and the Company each own 50 per cent. of the issued share capital (and shareholder loans) of each of the JV Entities. In respect of Holding 4, Apollo owns 49.9 per cent. and the Company owns 50.1 per cent. of the issued share capital (and shareholder loans), but the parties each have equal shareholder voting rights. Due to various minority interests at the German Kommanditgesellschaften level (included for German tax purposes), the Company and Apollo’s respective effective interest in the German Properties is reduced to approximately 48.8 per cent. In general, the German Shareholders’ Agreements provide equal governance rights for the Company and Apollo and provide that each of the Company and Apollo are entitled to nominate two (out of a total of four) directors to the boards of each JV Entity and Holding 4, each of whom will have a vote. Each board is deadlocked, with no director being entitled to a casting vote. If the deadlock cannot be resolved there is no provision for termination of the joint venture.

As mentioned in paragraph 3 of Part V (*Information on the Group*), one of the six German sub-portfolios comprised within the German Joint Venture was placed into administration in January 2013 and the Group no longer recognises any value in its accounts for these assets.

In the event of material breach and the insolvency of a shareholder, the non-defaulting shareholder has the right to call for the defaulting shareholder’s shares and shareholder loans (at 90 per cent. of market value in the case of material breach).

Transfers of (or other dealings with) shares (other than transfers to affiliates) require the consent of the other shareholder. However, at any time after 6 October 2011, either the



Company or Apollo may request that the assets owned by the German Business be sold. On receipt of such notice, the other party shall be entitled to offer to purchase (or procure a purchaser for) all of the shares and shareholder loans of the party who made the sale request. If either party does not wish to proceed with such sale, both parties will appoint a third party real estate advisory firm to advise upon and implement the best way to market and dispose of the properties of the German Business.

Until the German Properties are sold, where the Company proposes to make an acquisition of any retail assets in Germany or any interest in any vehicle owning retail assets in Germany, it shall provide to a JV Entity and Holding 4 a first opportunity to acquire or participate in the property interest that is the subject of the proposed acquisition.

## **The Waterside Lincoln Limited Partnership**

### **(a) Lincoln Limited Partnership Agreement**

On 8 April 2011 an amended and restated limited partnership agreement (the “**Limited Partnership Agreement**”) relating to Waterside Lincoln Limited Partnership (the “**Limited Partnership**”) was entered between Waterside General Partner Limited (the “**Lincoln General Partner**”) which is owned as to 50 per cent. by the Group and 50 per cent. by Karoo, Waterside LP1 (Jersey) Limited (the “**First Limited Partner**”) which is a member of the Group and Waterside LP2 (Jersey) Limited (the “**Second Limited Partner**” and together with the First Limited Partner, the “**Limited Partners**”) which is owned by Karoo (together, the “**Partners**”).

The purpose and business of the Limited Partnership was to acquire Waterside, pursue the commercial objectives of the Limited Partnership in relation to Waterside and engage in other matters incidental thereto.

Each Partner made a capital contribution to the Limited Partnership and on or prior to completion of the Limited Partnership Agreement each of the Limited Partners made an interest-free and unsecured advance to the Limited Partnership. The Lincoln General Partner has a partnership interest of 0.5 per cent. and each Limited Partner has a partnership interest of 49.75 per cent.. In addition to the amounts advanced by the Limited Partners on or prior to completion, under the Limited Partnership Agreement, each Limited Partner committed to provide additional advances of up to £2,000,000. To the extent that the Limited Partnership requires further finance in excess of the advances that were made on or prior to completion and the additional funding commitments as set out above, the Lincoln General Partner can request further advances be made by each of the Limited Partners pro-rata to the respective partnership interests. However, neither Limited Partner is obliged to provide any such further funding. All advances made to the Limited Partnership by the Limited Partners are unsecured and interest free.

The Lincoln General Partner has the full power and authority on behalf of the Limited Partnership to manage the business of the Limited Partnership including in relation to the acquisition of Waterside, obtaining external finance and doing such other acts, matters and things as in its opinion are necessary or desirable to implement the business plan and commercial objectives of the Limited Partnership.

Each Limited Partner has agreed that neither it (nor its associates) will acquire any commercial property within 30 miles of Waterside without first giving the Limited Partnership an opportunity to acquire such property.

The Limited Partners may not participate in or take part in the management, administration or operation of the Limited Partnership. The consent of Limited Partners holding more than 80 per cent. of the aggregate partnership interests is required to adopt or vary the Limited Partnership’s business plan or to sell Waterside prior to the service of a Termination Notice (as defined below).

No distributions shall be made by the Limited Partnership if it would or would be likely to cause the Limited Partnership to be in breach of any financing agreements or if, in the opinion of the Lincoln General Partner, it would leave the Limited Partnership with insufficient funds to meet its liabilities as they fall due including all amounts required for general working capital.



Net income of the Limited Partnership is distributed to the Partners on a quarterly basis in proportions equal to the respective partnership interests of the Partners from time to time (the “**Agreed Proportions**”) which are: Lincoln General Partner: 0.5 per cent.; First Limited Partner: 49.75 per cent.; and Second Limited Partner: 49.75 per cent.

Net proceeds of sale from disposals of Waterside or interests in Waterside or resulting from a refinancing (if so determined by the Lincoln General Partner) are distributed by the Limited Partnership to the Partners on a quarterly basis in the following order of priority: firstly to the Limited Partners in their Agreed Proportions (as between the Limited Partners) until sufficient distributions have been made to extinguish all advances made by Limited Partners; secondly to the Partners in their Agreed Proportions; and thirdly, (and only on the dissolution of the Limited Partnership) to repay the capital contributions of the Partners.

Any Limited Partner (a “**Selling Partner**”) wishing to sell the whole of its partnership interest (other than in default circumstances, on termination of the Limited Partnership, or in relation to a transfer to a member of its group) must offer the other Limited Partner a right of first refusal to acquire the partnership interest at the price offered by the Selling Partner.

An event of default in relation to a Partner will arise when that Partner (or any associate of the Partner who holds shares in the Lincoln General Partner (an “**LP Associate**”)) becomes insolvent, if a Limited Partner ceases to be an associate of its LP Associate, if a Limited Partner makes or repeats any representation or warranty in any finance agreement which result in the Limited Partnership failing to perform its obligations or otherwise being in default under any financing agreement, if a Limited Partner is in material breach of its obligations under the Limited Partnership Agreement (other than in relation to a failure to provide additional funding or advances to the Limited Partnership as set out above) or if an LP Associate is in default under the Shareholders Agreement.

If a customary event of default occurs in relation to a Limited Partner (the “**Defaulting Partner**”) (and if capable of remedy has not been remedied in a manner acceptable to the other Partners within 20 business days) the other Limited Partner (the “**Innocent Partner**”) may require the Defaulting Partner to offer its entire partnership interest and any shares held by its LP Associate in the Lincoln General Partner for sale to the Innocent Partner. The partnership interest of the Defaulting Partner shall be offered for sale at a price to be agreed between the Partners or in the absence of agreement at a price equal to the proportion of 80 per cent. of the net asset value of the Limited Partnership (as determined by the auditors) as is equal to the proportion which the partnership interest of the Defaulting Partner bears to the aggregate partnership interest of all of the Limited Partners. In circumstances where such a price would offend the “anti-deprivation” rule in the case of insolvency, the price shall instead be an amount equal to the proportion of the net asset value of the Limited Partnership (as determined by the auditors) which is equal to the proportion which the partnership interest of the Defaulting Partner bears to the aggregate partnership interest of all the Limited Partners.

Following such an offer for sale the Innocent Partner has the right (but not the obligation) to buy the whole of the partnership interest of the Defaulting Partner.

The Lincoln General Partner may only transfer its partnership interest with the consent of all the Limited Partners. Any Partner may transfer its partnership interests if such transfer is made pursuant to any finance arrangements of the Limited Partnership.

The Limited Partnership shall be dissolved and its affairs wound up upon the Limited Partners agreeing in writing that the Limited Partnership should terminate. On the third anniversary of the Limited Partnership Agreement any Limited Partner shall have the right to serve notice on the other Limited Partner and the Lincoln General Partner requesting that the Limited Partnership be dissolved and its affairs wound up (a “**Termination Notice**”). In such circumstances, the other Limited Partner may request that the net asset value of the Limited Partnership be determined by the auditors and following such determination, either Limited Partner shall have the right to serve notice on the other Limited Partner that it wishes to offer the whole of its partnership interest for sale to the other Limited Partner at a price equal to the proportion of the net asset value of the Limited Partnership (as determined by the auditors) as is equal to the proportion which such Limited Partner’s partnership interest bears to the aggregate of the partnership interest for the Limited Partners. In such circumstances, the other Limited Partner shall have the right (but not the obligation) to acquire such

partnership interest. If: (a) following a Limited Partner giving notice that it requests the Limited Partnership be dissolved and its affairs wound up, the other Limited Partner does not request that the net asset value of the Partnership be determined; (b) following such determination no Limited Partner serves a notice offering its partnership for the sale to the other Limited Partner; or (c) the other Limited Partner refuses (or is deemed to refuse) to acquire such a partnership interest, then the Limited Partnership shall be dissolved.

(b) Lincoln Shareholders' Agreement in relation to the Lincoln General Partner

On 8 April 2011 a shareholders' agreement (the "**Lincoln Shareholders' Agreement**") in respect of the Lincoln General Partner was entered into by Capital & Regional and Karoo Investment Fund II S.C.A. SICAV-SIF (together the "**GP Shareholders**") and the Lincoln General Partner to regulate the rights of the GP Shareholders in relation to the Lincoln General Partner. On 13 November 2013 Karoo Investment Fund II S.C.A. SICAV-SIF transferred its shares in the General Partner to Karoo and Karoo adhered to the Shareholders' Agreement as a shareholder.

The sole business of the Lincoln General Partner under the Shareholders' Agreement is the holding of a 0.5 per cent. participation in the Limited Partnership and the conduct of the business, affairs and management of the Limited Partnership as General Partner.

Decision-making by the Lincoln General Partner is deadlocked as between the GP Shareholders. Each GP Shareholder is entitled to appoint two directors of the board of directors of the Lincoln General Partner. In addition, the Shareholders' Agreement contains a list of reserved matters which the Lincoln General Partner may not undertake without the approval of the directors appointed by each of the GP Shareholders or the consent of each of the GP Shareholders themselves.

Under the Shareholders' Agreement, if the partnership interest in the Limited Partnership held by an associate of a GP Shareholder is diluted such that it ceases to be at least 20 per cent. of the aggregate partnership interests in the Limited Partnership, that GP Shareholder ceases to be entitled to appoint any directors to the board of the Lincoln General Partner and ceases to be entitled to exercise veto rights in relation to the reserved matters.

No shares in the Lincoln General Partner may be transferred unless the transfer is being made in conjunction with the transfer of the related partnership interest in the Limited Partnership held by the GP Shareholder or its associate, or pursuant to the Limited Partnership's banking arrangements.

The Shareholders' Agreement is terminable on the completion of the dissolution and winding up of the Lincoln General Partner, with the agreement of each of the GP Shareholders, or upon one shareholder holding all of the shares in the Lincoln General Partner.

(c) Lincoln Property Management Agreement

A property and asset management agreement (the "**Lincoln PMA**") was entered into between the Lincoln General Partner (in its capacity as general partner of the Limited Partnership) and the Capital & Regional Property Manager in relation to Waterside.

Under the terms of the Lincoln PMA, the Capital & Regional Property Manager provides property, asset management and other additional services in relation to Waterside and is entitled to fees from the Limited Partnership.

The term of the agreement shall continue until Waterside is sold by the Limited Partnership (including by the sale of shares in the Partners or of the partnership interests of the Partners in the Partnership) subject to earlier termination:

- in the event of default, fraud, negligence or wilful misconduct by either the Lincoln General Partner or the Capital & Regional Property Manager;
- in the event that either the Lincoln General Partner or the Capital & Regional Property Manager suffers an event of insolvency;
- at the option of the Limited Partnership, in the event that the Capital & Regional Property Manager ceases to be controlled by Capital & Regional;
- in the event that: the partnership interest of the First Limited Partner ceases to be at least 20 per cent. of the aggregate of the partnership interests of the Limited Partners or the Second Limited Partner acquires the entire partnership interest of the First

Limited Partner, provided that any such termination shall only take effect from the third anniversary of Completion;

- in the event that the Second Limited Partner acquires the entire partnership interest of the First Limited Partner pursuant to the Limited Partnership Agreement;
- in the event of a sale by the Limited Partners of their entire partnership interests to a third party purchaser in accordance with the Limited Partnership Agreement; or
- at the option of the Limited Partnership, in the event of a sale by the First Limited Partner of its entire partnership interests to a third party purchaser in accordance with the Limited Partnership Agreement.

(d) Lincoln Facility Agreement

The Company has granted a charge in relation to its shares in Waterside General Partner Limited and Capital & Regional Europe Holdings has granted a security interest agreement in relation to shares in the First Limited Partner (which incorporates a guarantee and indemnity), both in relation to a £13.64 million term loan provided to the Waterside Lincoln Limited Partnership to finance the acquisition of Waterside pursuant to a facility agreement dated 18 February 2011, which has since been amended (the “**Lincoln Facility Agreement**”).

Also in connection with the Lincoln Facility Agreement, the First Limited Partner has entered into a deed of subordination which blocks repayment of any debt it has lent into the Waterside Lincoln Limited Partnership or payment of any distributions.

The Capital & Regional Property Manager has entered into a managing agent undertaking in favour of the agent and security trustee pursuant to the Lincoln Facility Agreement in connection with, amongst other things, the collection of rents.

The Company and Capital & Regional Europe Holdings are parties to the Lincoln Facility Agreement as share chargors. The First Limited Partner is also party to the Lincoln Facility Agreement. The First Limited Partner, the Company and Capital & Regional Europe Holdings, amongst others, make certain representations and warranties and give certain undertakings pursuant to the Original Lincoln Facility Agreement.

## The Kingfisher Redditch Joint Venture

(a) Redditch Shareholders’ Agreement

On 30 April 2012 a shareholders’ agreement (the “**Shareholders’ Agreement**”) was entered into by, *inter alia*, OCM Luxembourg ROF V S.À R.L. (“**Oaktree 1**”) and OCM Luxembourg OPPS VIII B S.À R.L. (“**Oaktree 2**”) (together with Oaktree 1 being “**Oaktree**”) Capital & Regional Europe Holdings and Kingfisher TopCo Sarl (“**JVCo**”).

The Shareholders’ Agreement sets out the business of JVCo and its subsidiary undertakings including Kingfisher Limited Partnership (the “**Partnership**”), being (a) to perform its obligations and exercise its rights under the agreement for the sale and purchase of the Kingfisher Shopping Centre; and (b) to acquire, own, entitle, manage, operate, lease, improve, finance and refinance the Kingfisher Shopping Centre for general investment purposes; and (c) conduct all activities reasonably necessary, incidental or desirable to accomplish the foregoing purposes.

Under the terms of the Shareholders’ Agreement, Oaktree 1 subscribed for 4 shares in JVCo, Oaktree 2 subscribed for 4 shares in JVCo and Capital & Regional Europe Holdings subscribed for 2 shares in JVCo and the percentage interests of each of the shareholders are Oaktree 80 per cent. and Capital & Regional Europe Holdings 20 per cent. (“**Percentage Interests**”).

Further funding may be provided under the terms of the Shareholders’ Agreement in the form of capital contributions from the shareholders in amounts in proportion to their respective Percentage Interests. Further funding may only be requested from the shareholders with Oaktree’s prior consent. In the event that any shareholder fails to meet any call for further funding, customary default, priority loan and dilution provisions apply.

Distributable cash is to be distributed to the shareholders as soon as reasonably practicable and in any event quarterly. The Shareholders Agreement sets out a waterfall and priority for the distribution of such distributable cash such that distributions are made:

- to the shareholder in their Percentage Interests;

- once Oaktree has received an IRR of 15 per cent. and not less than 1.5 times its total equity funding, (i) 20 per cent. to Capital & Regional Europe Holdings and (ii) 80 per cent. to the shareholders in their Percentage Interests; and
- once Oaktree has received an IRR of 20 per cent. and not less than 2 times its total equity funding, (i) 25 per cent. to Capital & Regional Europe Holdings and (ii) 75 per cent. to the shareholders in their Percentage Interests.

Transfers of shares were not permitted until the first anniversary of the date of the Shareholders' Agreement (the "**Lock-out Date**"). On or after the Lock-out Date, Oaktree and Capital & Regional Europe Holdings may both transfer their shares subject to the other having a right of first offer in relation to any proposed transfer. In the event that the non-selling shareholder does not take up its right to offer to acquire the sale shares or the selling shareholder declines any such offer, the selling shareholder has the right for a period of 180 days to market and sell all of its shares to a third party which (where the selling party is Capital & Regional Europe Holdings), is a third party approved by Oaktree and is of a similar institutional quality to Capital & Regional Europe Holdings and has a comparable level of experience PROVIDED that the shares cannot be sold (a) other than for cash; (b) at a price equal to or less than that contained within any offer made by the non-selling shareholder or on terms that are materially less favourable than those contained within any offer from non-selling shareholder (if any); or (c) later than the 180 day period. Oaktree and Capital & Regional Europe Holdings may only exercise their rights to sell their shares up to twice during any 12 month period.

If Oaktree exercises its right to sell its shares, Capital & Regional Europe Holdings shall have a tag-along right to sell its own shareholding to the party buying Oaktree's shares at the same price.

The board of JVCo has responsibility for the supervision and management of the JVCo and its business. Oaktree has the right to appoint and maintain in office three directors, and Capital & Regional Europe Holdings has the right to appoint and maintain in office two directors. The same provisions apply in relation to the board of directors of each subsidiary of JVCo.

The joint approval of both Oaktree and Capital & Regional Europe Holdings is required for major decisions as set out in the Shareholders' Agreement ("**Joint Decisions**"). These include, *inter alia*: (a) any change in the nature of the business of JVCo; (b) approving the annual business plan and annual budget; (c) disposing of all or any part of the Kingfisher Shopping Centre (save as provided below); (d) entering into or terminating major contracts or leases; (e) amending the Shareholders Agreement or constitutional documents of JVCo; and (f) varying or increasing the share capital of JVCo or issuing any shares in JVCo.

The Oaktree directors may at any time require the JVCo to undertake certain matters (to the exclusion of the Capital & Regional Europe Holdings directors), including: (a) acting on behalf of JVCo in relation to the PMA (including exercising any termination rights); (b) appointing a replacement property manager; (c) requiring the sale of the Kingfisher Shopping Centre; and (d) calling for additional shareholder funding.

The Capital & Regional directors are entitled to require JVCo to take any other actions not requiring a Joint Decision or an action over which Oaktree has sole control.

At any time after the third anniversary of the date of the Shareholders' Agreement, in the event that a deadlock arises over a Joint Decision. Either shareholder has the right to commence a buy/sell procedure under which the non-initiating shareholder is then entitled to acquire the assets of JVCo or consent to their acquisition by the initiating shareholder (and the initiating shareholder is obliged to make such acquisition) at a third party valuation.

A shareholder shall be a defaulting shareholder if: (a) it is the subject of a Change of Control, which in the case of Oaktree means its parent company no longer 100 per cent. of Oaktree, and in the case of Capital & Regional Europe Holdings means Capital & Regional no longer owning 100 per cent. of Capital & Regional Europe Holdings or the Capital & Regional Property Manager (provided up to 20 per cent. of the issued share capital of the Capital & Regional Property Manager may be held by one or more employees of the Capital & Regional Property Manager); (b) the shareholder, its parent company (or the Capital & Regional Property Manager, in the case of Capital & Regional Europe Holdings) suffer an insolvency

event; (c) the shareholder commits an act of fraud, misappropriation or negligence, or makes a material or persistent default under the Shareholders' Agreement; (d) in the case of Capital & Regional Europe Holdings, the Capital & Regional Property Manager commits an act of fraud, misappropriation or negligence under the Redditch PMA; or in the case of Capital & Regional Europe Holdings, 50 per cent. or more of Capital & Regional is acquired by a private equity fund, hedge fund or similar asset management fund which has at least \$5 million of assets or \$1 million of real estate assets under management.

If a shareholder becomes a defaulting shareholder, then any directors appointed by them shall not be entitled to vote and must resign as soon as possible, and the agreement of the defaulting shareholder and its directors no longer required for any Joint Decisions. If the defaulting shareholder is Capital & Regional Europe Holdings then Oaktree has the right to terminate the PMA and certain variations shall be made to the distribution provisions in relation to the promote payable to Capital & Regional Europe Holdings. The non-defaulting shareholder may also require that the defaulting shareholder sells all of its shares to the non-defaulting shareholder at market value (or 80 per cent. of market value in the event of a Change of Control) or the non-defaulting party can elect to acquire the assets of JVCo for an equivalent value, in each case less an amount necessary to compensate the non-defaulting party for any loss suffered as a result of the default.

(b) Kingfisher Shopping Centre Property and Asset Management Agreement

The Partnership (acting by its general partner) (the "**Owner**"), Kingfisher Car Parks Limited and the Capital & Regional Property Manager entered into a property and asset management agreement on 30 April 2012 (the "**Redditch PMA**") under which the Capital & Regional Property Manager would provide certain services to the Owner in respect of the Kingfisher Shopping Centre.

Under the Redditch PMA the Capital & Regional Property Manager provides property, asset management and other additional services in relation to the Kingfisher Shopping Centre and is entitled to fees from the Owner.

The term of the Redditch PMA shall continue until the Kingfisher Shopping Centre is sold by the Owner (or indirectly by JVCo) subject to earlier termination, including in the event of:

- material or persistent breach, fraud, misappropriation or negligence;
- no associate of the Capital & Regional Property Manager holding at least a 10 per cent. Percentage Interest in JVCo
- the Capital & Regional Property Manager failing to meet certain minimum performance criteria;
- the Capital & Regional Property Manager or Capital & Regional suffering an insolvency event;
- the Capital & Regional Property Manager ceasing to be wholly owned by Capital & Regional (save that a 20 per cent. interest in the Capital & Regional Property Manager may be held by employees of the Capital & Regional Property Manager).

**The Mall Property Management Agreement**

Pursuant to the terms of a property and asset management agreement originally dated 28 February 2002 and a number of deeds of variation up to and including 4 April 2013, the Mall Property Manager was appointed on an exclusive basis as property and asset manager of the Mall Limited Partnership and receives management and other fees (including performance fees) in relation to the Mall Limited Partnership.

The appointment of the Mall Property Manager continues for so long as the Mall Limited Partnership continues (including any extensions) and terminates on the later of the termination of the Mall Limited Partnership and the sale of all the properties of the Mall Limited Partnership.

The Mall Limited Partnership has the right to terminate this agreement in certain circumstances including:

- illegal, fraudulent or dishonest acts or material defaults by the Mall Property Manager;
- certain insolvency events relating to the Mall Property Manager or Capital & Regional;



- the Mall Property Manager ceasing to be part of the Group;
- if the property IRR in the period from (i) 30 June 2010 and (ii) ending on 31 December 2014, 31 December 2015 or, if the Mall Limited Partnership is extended, 31 December 2018 respectively, is less than the prescribed benchmark minus 100 basis point,
- any bank or financial institution or other arms' length lender which has taken security over any of the Units held by any member of the Group enforces that security, by sale or otherwise, so that, following such enforcement, the aggregate number of Units beneficially owned by the Company and any of its associates is less than 94,214,925 Units; or
- on three months' notice to be served at any time after a sale resolution is passed with a member of the Group having voted in favour, being a special resolution of Unitholders to approve an offer, made by a party who is not a Unitholder holding more than 5 per cent. of the Units, to buy all the Units in issue.
- the Capital & Regional Property Manager has entered into a duty of care agreement with Mount Street Loan Solutions LLP in connection with the Mall Fund Senior Facility which, amongst other things, restricts the payment of performance fees (see below under Mall Senior Fund Facility).

#### **Performance Fee Deed of Waiver**

On 12 June 2014, the Capital & Regional Property Manager entered into the Performance Fee Deed of Waiver, the key terms of which are summarised in paragraph 5 of Part II (*Details of the Acquisition*) of this document.

#### **Fund Manager Performance Fee Agreement**

On 12 June 2014, the Company and Aviva Investors entered into the Fund Manager Performance Fee Agreement, the key terms of which are summarised in paragraph 5 of Part II (*Details of the Acquisition*) of this document.

#### **The Junction Fund Share Purchase Agreement**

By a sale and purchase agreement dated 19 October 2012 between the Junction investors including Capital & Regional Units LLP ("**Capital & Regional Junction**"), Capital & Regional (Junction GP) Limited ("**Capital & Regional Junction GP**") and various subsidiaries of Hammerson Plc ("**Hammerson**"), Capital & Regional Junction and Capital & Regional Junction GP sold its holding in the Junction Fund and the General Partner of the Junction Fund to Hammerson.

The Group received net cash consideration of £11.4 million for its 13.43 per cent. interest excluding performance fee income of £2.8 million.

Under the agreement, Capital & Regional Junction and Capital & Regional Junction GP 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. The relevant warranties were given on a several basis and the maximum liability of Capital & Regional Junction in respect of the title and capacity warranties is £34,843,065 and the maximum liability of Capital & Regional Junction GP in respect of the title and capacity warranties is £35,356,875. The maximum liability of Capital & Regional Junction in respect of the other warranties is £3,484,306.50 and the maximum liability of Capital & Regional Junction GP in respect of the other warranties is £3,535,688. Any claims in respect of the warranties must be brought within 12 months of the date of the agreement 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 obligations of Capital & Regional Junction under the agreement were guaranteed by Capital & Regional Holdings.

On completion of the sale, the Capital & Regional Property Manager entered into a deed of termination in respect of its asset management agreement with the Junction Fund.

#### **The Relationship Agreement**

The Company and the Parkdev Parties entered into a relationship agreement on 20 August 2009. On 26 April 2013, Parkdev International Asset Managers (Pty) Limited assigned its interest under that relationship agreement to PDI Investment Holdings Limited and PDI Investment Holdings



Limited adhered to the relationship agreement as a Parkdev Party, immediately prior to which the Company and the Parkdev Parties agreed to amend the relationship agreement to broaden the definition of the Parkdev Group to permit such assignment.

On 20 June 2014, the Company and the Parkdev Parties entered into a deed of amendment to further amend the relationship agreement and Clearance Capital (Cayman) Limited ceased to be a party to the amended relationship agreement (the “**Relationship Agreement**”).

Under the Relationship Agreement, PDI Investment Holdings Limited is entitled to nominate one non-executive Director to the Board where the Parkdev Parties hold 15 per cent. or more of the issued Ordinary Shares, and two non-executive Directors to the Board where the Parkdev Parties hold 20 per cent. or more of the issued Ordinary Shares. With effect from completion of the Karoo Acquisition Agreement and the Capital Raising, holdings of Ordinary Shares held by entities in which the Parkdev Group have a direct or indirect interest (other than any of the Parkdev Parties) will count towards such holding thresholds but only where the Parkdev Group’s aggregate percentage interest of each such entity is in excess of 30 per cent. Failing which, only a proportion of each such entity’s holding of Ordinary Shares will count towards the holding threshold, and such proportion shall be equal to the Parkdev Group’s aggregate percentage interest in the relevant entity. As a result of this amendment, for so long as the Parkdev Group in aggregate has in excess of a 30 per cent. interest in Karoo (as at 20 June 2014, being the latest practicable date prior to publication of this document, such aggregate interest was 41.55 per cent.), Karoo’s holding of Ordinary Shares (expected to be 73,540,911 Ordinary Shares or 10.5 per cent. of the Enlarged Share Capital immediately following Admission) will count towards the holding threshold. Louis Norval and Neno Haasbroek are the current appointees to the Board under the Relationship Agreement and have been since 15 September 2009.

Subject to the Parkdev Parties providing evidence reasonably satisfactory to the Company (having regard to any legal advice received by the Company) that they are able to participate in the relevant transaction without the Company being required to take certain actions in relation to securities laws, the Company has agreed in the Relationship Agreement to use reasonable endeavours (including obtaining necessary advice as to South African laws) to procure that, in the event of any future issue of Equity Securities (as defined in the Relationship Agreement) or other offer to, or other corporate action affecting, Shareholders generally (whether by way of rights issue, open offer, buyback, tender offer, takeover offer or otherwise), the arrangements for distribution or acquisition of such securities, or for participation in such corporate action, will be such as to enable each of the Parkdev Parties to participate *pro rata* to its shareholding in the Company at the relevant time. In amending the relationship agreement on 20 June 2014, the Company and the Parkdev Parties also clarified that the Company’s obligation described above in respect of future issues of Equity Securities was never intended to, and therefore does not, extend to any issue or grant of Equity Securities that would be held under or allotted or transferred pursuant to an employees’ share scheme (having the meaning given in section 1166 of the Companies Act) but it was intended to include firm placings and any other future issue of Equity Securities where other Shareholders are not able to participate *pro rata* in that issue of Equity Securities. In addition, the Parkdev Parties have agreed to waive their rights under the entitlement in the Relationship Agreement described in this paragraph in respect of the Capital Raising.

The Company undertakes in the Relationship Agreement that it will not solicit or recommend any partial tender offer, or to undertake any buyback of Equity Securities without the consent of the Parkdev Parties, except for an offer or buyback which, if fully accepted by holders of Equity Securities other than the Parkdev Parties, would not result in the Parkdev Parties, together with any persons acting in concert with the Parkdev Parties for the purposes of the Takeover Code, as notified by PDI Investment Holdings Limited to the Company, holding an interest in 30 per cent. or more of the voting rights (as defined in the Takeover Code) of the Company after the completion of such offer or buyback.

In addition, the Relationship Agreement also contains customary provisions regarding the making of announcements without written approval of the other party, the supply of information and confidentiality obligations. The Relationship Agreement will terminate if the Parkdev Parties (including their respective holding companies and subsidiary undertakings) cease to own or control at least 15 per cent. of the share capital of the Company.

## The X-Leisure Fund Disposal

### (a) The X-Leisure Fund Unit Purchase Agreement

By a unit sale agreement dated 4 December 2012 between AREA (X-L) Limited and Capital & Regional Units (together with AREA (X-L) Limited, the “**Sellers**”); LS Mirage Limited, BNP Paribas Jersey Trust Corporation Limited, AREA (X-L Jersey) Limited (the “**Manager**”) and Capital & Regional Holdings Limited, the Company sold its entire 11.9 per cent. interest in the issued units of the X Leisure Unit Trust (the “**X-Leisure Sale Agreement**”). The sale completed on 16 January 2013.

The net consideration received for the units was £30.6 million.

The X-Leisure Sale Agreement contains customary warranties given by each party 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 Capital & Regional Property Manager in respect of claims under the X-Leisure Sale Agreement shall not exceed £25 million and in any event the liability of the Company shall not exceed the amount of consideration received by it pursuant to the terms of the X-Leisure Sale Agreement. Any claims in respect of the warranties must be brought within 21 months of completion other than in respect of warranty claims relating to taxation, where the claims must be brought within five years of completion.

### (b) The GP Share Purchase Agreement

In connection with the X-Leisure Sale Agreement, Capital & Regional (Leisure GP) Limited (“**Capital & Regional GP**”) entered into a sale and purchase agreement dated 4 December 2012 with, amongst others, Land Securities Partnerships Limited (“**LS**”) relating to the acquisition by LS of The X-Leisure (General Partner) Limited on 4 December 2012 (the “**GP SPA**”) for a total aggregate consideration of £1.00 with £0.50 due in respect of the shares held by Capital & Regional GP and £0.50 due in respect of the shares held by AREA (X-L General Partner) Limited.

The GP SPA contains customary warranties given by each party including warranties as to solvency, accounting and financial matters, litigation, compliance with laws and regulatory consents and taxation.

Pursuant to the terms of the GP SPA the Company has no liability for breach of any warranty unless (i) an individual claim (or a series of claims arising from substantially identical facts or circumstances) exceeds £10,000 (a Relevant Claim) and (ii) the total of all Relevant Claims exceeds £50,000. The aggregate liability of the Sellers in respect of all warranty claims shall not exceed £1,000,000. Any claims in respect of the warranties must be brought within 21 months of completion other than in respect of warranty claims relating to taxation, where the claims must be brought within five years of completion.

### (c) The Fund Manager Share Purchase Agreement

In connection with the X-Leisure Sale Agreement, the Capital & Regional Property Manager entered into a sale and purchase agreement dated 4 December 2012 with, amongst others, AREA (X-L Management) Limited (“**AREA X-L**”) relating to the sale of the entire issued share capital of X-Leisure Limited (the “**Fund Manager SPA**”). The consideration for the sale of the entire issued share capital is £500,000 for the Capital & Regional Property Manager shares, £500,000 for the AREA X-L shares and an amount equal to the Distribution Substitute which shall be allocated on the basis of the number of shares being sold such that the Capital & Regional Property Manager shall receive 50 per cent. and AREA X-L shall receive 50 per cent.

The Fund Manager SPA contains customary warranties given by each party including warranties as to solvency, accounting and financial matters, litigation, compliance with laws and regulatory consents and taxation.

Pursuant to the terms of the Fund Manager SPA the Company has no liability for breach of any warranty unless (i) an individual claim (or a series of claims arising from substantially identical facts or circumstances) exceeds £50,000 (a “**Relevant Claim**”) and (ii) the total of

all Relevant Claims exceeds £100,000. The aggregate liability of the Sellers under the GP SPA in respect of all warranty claims shall not exceed £4,000,000. Any claims in respect of the warranties must be brought within 21 months of completion other than in respect of warranty claims relating to taxation, where the claims must be brought within five years of completion.

(d) Other documents

In connection with the above disposal agreements the Group provided Land Securities Properties Limited with limited rights of first refusal in the event the Group seeks to dispose of its operating business, Snozone Limited.

### **The Morrison Merlin SPA**

By a sale and purchase agreement dated 11 October 2013 between the Company as seller, Tobermory S.à.r.l (the “**Buyer**”) and Resolution IV Holdings S.à.r.l as guarantor, the Company sold all of the issued share capital in Morrison Merlin Limited (“**MML**”) to the Buyer (the “**Morrison Merlin SPA**”). The sale was completed on 31 October 2013.

The Group received net cash consideration of £12.0 million. The Morrison Merlin SPA also provides for additional consideration to be paid by the Buyer to the Company if the Buyer obtains the required planning permission for and either lets or operates digital media advertising boarding at the Great Northern Warehouse, Manchester.

The Morrison Merlin SPA contains customary warranties given by the Company as to capacity, title to the disposed assets, solvency, accounting and financial matters, litigation, compliance with laws and regulatory consents and taxation. Other than in the case of fraud, the aggregate liability of the Company in respect of claims under the Morrison Merlin SPA shall not exceed £7 million. Any claims in respect of the warranties must be brought within two years of completion other than in respect of warranty claims relating to taxation, where the claims must be brought prior to the period expiring ten business days following the date which is two years and six months after completion. Claims under the tax covenant must also be brought within the period expiring ten business days following the date which is two years and six months after completion.

### **The Hemel Hempstead Sale Agreement**

By a sale agreement dated 20 August 2013 between Capital & Regional Hemel Hempstead (Jersey) Limited (“**Capital & Regional HH**”) HSBC Trust Company (UK) Limited (as trustee for Tesco Pension Trust) and Capital & Regional plc, Capital & Regional HH agreed to sell the property at Leisure Centre, Jarman Way, Hemel Hempstead for the sum of £8.5 million. The sale was completed on 14 February 2014.

Under the agreement, Capital & Regional HH gave an indemnity, uncapped in time and amount, in respect of losses arising as a result of environmental waste present at the property prior to completion.

Although certain obligations of Capital & Regional HH under the agreement were guaranteed by the Company that guarantee does not extend to the environmental indemnity mentioned above.

### **Underwriting Agreement**

The Company and the Bookrunners entered into the Underwriting Agreement on 20 June 2014.

The key terms of the Underwriting Agreement are as follows:

Subject to the terms and conditions of the Underwriting Agreement, the Bookrunners have agreed, severally, as agents of the Company, to use reasonable endeavours to procure placees for the Firm Placed Shares and for Open Offer Shares (other than the Open Offer Shares constituting the Karoo Subscription Shares) for which valid applications from Qualifying Shareholders are not received. The Bookrunners have also agreed, severally, that in the event that placees are not found for all or any of the Open Offer Shares (other than the Open Offer Shares constituting the Karoo Subscription Shares) or the Firm Placed Shares, the Bookrunners shall be required to acquire as principal at the Offer Price, those Open Offer Shares (other than the Open Offer Shares constituting the Karoo Subscription Shares) and Firm Placed Shares (as applicable) for which placees have not been so obtained in proportion to their respective agreed proportions. The Bookrunners have also agreed, severally, to underwrite the commitments of Placees in respect of the Firm Placing and Placing.

In respect of their services in connection with the Capital Raising, the Company has agreed to pay to the Bookrunners a sponsor fee of, in aggregate, £1 million together with a commission of 2 per cent. of the gross proceeds of the Capital Raising, adjusted to exclude gross proceeds deriving from the Karoo Subscription and from subscriptions for New Ordinary Shares under the Capital Raising from any member of the Parkdev Group or Neno Haasbroek (each to be shared equally between the Bookrunners) and further commission of up to 0.5 per cent. (payable at the Company's absolute discretion) of such adjusted proceeds of the Capital Raising (to be shared equally between the Bookrunners).

The Company has agreed to meet the cost of any sub-underwriting commission to be paid by the Bookrunners to any Placees agreeing to subscribe for Placing Shares under the Placing, provided that such sub-underwriting commission shall not exceed 1.25 per cent. of such Placee's allocation of New Ordinary Shares (unless the Company agrees a higher level with the Bookrunners in relation to a specific Placee). The Underwriting is conditional, amongst other things, on:

- the Prospectus being approved by the UKLA in accordance with the Prospectus Rules and made available in accordance with the terms of this document;
- the passing of the Resolutions (without material amendment) at the General Meeting (and not, except with the prior written agreement of the Bookrunners, at any adjournment of such meeting not on the same day);
- Admission occurring not later than 8.00 a.m. on 18 July 2014;
- the Company not being in breach of any of its obligations under the Underwriting Agreement which the Bookrunners consider to be material in the context of the Capital Raising, the Acquisition and Admission;
- none of the warranties given by the Company under the Underwriting Agreement being untrue or inaccurate or becoming untrue or inaccurate between the date of this document and Admission;
- there being no event referred to in section 87G(1) of the FSMA arising between the date of this document and Admission which the Bookrunners believe to be material in the context of the Capital Raising, the Acquisition or Admission;
- the conditions to the Aviva Acquisition Agreement and the Karoo Acquisition Agreement having been satisfied (save in respect of any condition relating to Admission), and those agreements remaining in full force and effect at, and not having been terminated in accordance with their terms and no event having arisen which gives a party thereunder the right to terminate prior to Admission; and
- the conditions to drawing down under the 2014 Amended and Restated Revolving Credit Facility having been satisfied (save in respect of any condition relating to the delivery of a drawdown notice and the provision of security in relation to the Units and various related documentation) and that agreement remaining in full force and effect at, and not having been terminated in accordance with its terms and no event having arisen which gives a party thereunder the right to terminate prior to Admission.

The Underwriting Agreement confers on the Bookrunners the right to terminate their obligations prior to Admission if, amongst other things:

- in the opinion of the Bookrunners a material adverse change occurs in respect of (i) the Company or (ii) the Group (taken as a whole) which makes it impractical or inadvisable to proceed with the Capital Raising, the Acquisition or Admission; or
- there is a change in national or international financial, political, economic or stock market conditions or currency exchange rates caused by an act of terrorism or other calamity or crisis, or there is a general disruption in trading on principal public exchanges around the world or a banking moratorium is declared by UK, US, EU or New York authorities in each case as would in the judgement of the Bookrunners, make it impracticable or inadvisable to proceed with the Capital Raising, the Acquisition or Admission.

Pursuant to the Underwriting Agreement, the parties have agreed that if a supplementary prospectus is published by the Company two or fewer Business Days prior to the latest date for acceptance and payment pursuant to the Open Offer, the period within which the Bookrunners shall be required to perform their obligations under the Underwriting Agreement shall be extended

so as to end at the expiry of three Business Days after the date of publication of the relevant supplementary prospectus.

The Underwriting Agreement also contains:

- certain customary warranties by the Company as to the accuracy of the information in the offer documents relating to the Capital Raising, including this document and in relation to other matters relating to the Group and its business;
- customary indemnities from the Company in favour of the Bookrunners; and
- certain undertakings from the Company relating, amongst other things, to consultation with, and the provision of information to the Bookrunners. These include an undertaking from the Company not, without the prior written consent of the Bookrunners for a period of 180 days following Admission, to issue or grant options over further shares of the Company (other than pursuant to the Capital Raising, the Capital & Regional Employee Share Plan, the ESOT or the 2004 Trust).

#### **Parkdev Group Irrevocable Undertaking**

Pursuant to the Parkdev Group Irrevocable Undertaking certain members of the Parkdev Group (together holding 102,427,163 Existing Ordinary Shares in aggregate, representing approximately 29.3 per cent. of the Company's existing ordinary share capital), have irrevocably undertaken to the Company and the Bookrunners on a several basis:

- to vote and/or procure the vote of all of their respective holdings of Ordinary Shares in favour of the Resolutions (other than the Related Party Resolutions);
- not to subscribe or take up any right to subscribe for in aggregate, 73,645,114 New Ordinary Shares of his, her or its Open Offer Entitlements under the Open Offer;
- not to make any application under the Excess Application Facility in respect of any of their respective Ordinary Shares; and
- not to sell or transfer or otherwise dispose of any or all of their respective Ordinary Shares unless and until the Open Offer closes, lapses or is withdrawn,

and Neno Haasbroek has irrevocably undertaken to take up 96,363 New Ordinary Shares of his Open Offer Entitlement and Pinelake International Limited has irrevocably undertaken to take up 8,510,638 New Ordinary Shares of its Open Offer Entitlement.

#### **Karoo Subscription Agreement**

On 20 June 2014 the Company and Karoo entered into a subscription agreement pursuant to which Karoo has:

- agreed to acquire the Karoo Subscription Shares at the Offer Price;
- agreed that all of the cash consideration payable by Capital & Regional to Karoo following completion of the Karoo Acquisition Agreement shall be settled pursuant to the terms of the Karoo Acquisition Settlement Letter; and
- agreed to give customary representations, warranties and undertakings to the Company and the Bookrunners.

#### **Aviva Acquisition Agreement**

Capital & Regional Europe Holdings, the Aviva Sellers, the Company and the Mall Trustee entered into the Aviva Acquisition Agreement on 20 June 2014.

The key terms of the Aviva Acquisition Agreement are summarised in paragraph 2 of Part II (*Details of the Acquisition*) of this document.

#### **Karoo Acquisition Agreement**

Capital & Regional Europe Holdings, Karoo, the Company and the Mall Trustee entered into the Karoo Acquisition Agreement on 20 June 2014.

The key terms of the Karoo Acquisition Agreement are summarised in paragraph 3 of Part II (*Details of the Acquisition*) of this document.



### **Mall GP Acquisition Agreement**

Capital & Regional GP and Aviva GP entered into the Mall GP Acquisition Agreement on 20 June 2014.

The key terms of the Mall GP Acquisition Agreement are summarised in paragraph 4 of Part II (*Details of the Acquisition*) of this document.

### **Karoo Acquisition Settlement Letter**

On 20 June 2014 the Company, Capital & Regional Europe Holdings and Karoo entered into the Karoo Acquisition Settlement Letter pursuant to which they agreed that the obligations of Karoo to the Company to settle £34,564,228.17 in respect of its subscription for the Karoo Subscription Shares under the Karoo Subscription Agreement and the obligation of Capital & Regional Europe Holdings to Karoo to settle all of the cash consideration payable at Completion under the Karoo Acquisition Agreement would be settled and released by way of set off as between them and the Company without the transfer of cash.

### **Agreement with the Aviva Sellers in relation to fees payable under the Mall Fund Property Management Agreement**

The Aviva Sellers and the Capital & Regional Property Manager entered into an agreement on 20 June 2014 under which the Capital & Regional Property Manager has agreed to rebate to the Aviva Sellers part of any property management fees received by the Capital & Regional Property Manager under the Mall Property Management Agreement.

The key terms of such agreement are summarised in paragraph 6 of Part II (*Details of the Acquisition*) of this document.

#### *The Mall Fund's material contracts*

The following is a summary of each of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Mall Fund: (i) within the two years immediately preceding the date of this document which are, or may be, material to the Mall Fund; or (ii) at any time and contain obligations or entitlements which are, or may be, material to the Mall Fund as at the date of this document:

### **Mall Limited Partnership Deed**

Under the Mall Limited Partnership Deed, Mall General Partner is appointed as the general partner of the Mall Limited Partnership and the Mall Trustee is the sole limited partner. The rights and liabilities of the general partner and the limited partner are as provided under the Limited Partnerships Act 1907, except where varied by the Mall Limited Partnership Deed. No more than one person may be admitted at the same time as a limited partner.

The Mall Limited Partnership was established under the Limited Partnerships Act 1907 on 14 January 2002 under number LP7977. The business of the Mall Limited Partnership is the acquisition, redevelopment and management of shopping centres for investment purposes in accordance with its investment policy. The Mall Limited Partnership's investment policy is to establish an investment portfolio of shopping centres, with the objective to outperform the IPD shopping centre series on a geared basis by one percent per annum over a rolling three year basis.

Mall General Partner is liable for the Mall Limited Partnership's debts, liabilities and obligations to third parties to the extent that they exceed the assets of the partnership, and indemnifies the limited partner to that extent. If the Mall Limited Partnership is unable to pay its debts or liabilities, the limited partner's liability is limited to the amount of its capital contribution to the Mall Limited Partnership. Limited partners may not take part in the management or control of the business of the Mall Limited Partnership.

Each partner holds units in the Mall Limited Partnership ("**Partnership Units**"), which represents a share of the net asset value of the Mall Limited Partnership.

Under the Mall Limited Partnership Deed, certain matters require the approval of the limited partner by way of Special Resolution or Ordinary Resolution. Under the Mall Limited Partnership Deed, Ordinary Resolutions require approval of any limited partner holding more than 50 per cent. of the Partnership Units and Special Resolutions require approval of any limited partner holding the Relevant Percentage of Partnership Units, provided that a limited partner which is an Interested



Partner may not vote conflicted partnership units in relation to any Conflict Matter. A Conflict Matter means: (a) the removal and replacement of Mall General Partner; (b) the removal and replacement of the Mall Property Manager; (c) the removal and replacement of the Mall Fund Manager; (d) disposals of any partnership assets with a value exceeding £1 million to the Mall Fund Manager (or its associate); (e) amending the Mall Fund Management Agreement or the Mall Property Management Agreement to increase the fees payable thereunder and (f) the appointment of a new fund manager where the Mall Property Manager or the Mall Fund Manager (or any of their associates or connected persons) or any person having control of Mall General Partner is a limited partner. The Relevant Percentage means 85 per cent., save where the aggregate holdings of Units of the Mall Property Manager and the Mall Fund Manager (and their associates) falls below 70.8 per cent., then the Relevant Percentage shall be reduced by 0.0131 per cent. for each 0.01 per cent. by which that aggregate holding falls below 70.8 per cent., but it shall not be less than 75 per cent.

Limited partners have specific rights in relation to the extension of the term of the Mall Limited Partnership as described below.

The Mall Limited Partnership Deed requires the articles of association of Mall General Partner to ensure that two Independent Directors (who must be free from any material business relationship with any Unitholder) are appointed to the board of Mall General Partner, who must be approved (and may be removed) by the limited partners, that the maximum number of directors is six and that the chairman shall be an Independent Director (who shall have a second (casting) vote). The Mall Limited Partnership Deed also requires the articles of association of Mall General Partner to ensure that one C Director is appointed to the board of Mall General Partner (who must be free from any material business relationship with the Mall Fund Manager or the Mall Property Manager), who must be approved (and may be removed) by the limited partners. The Mall Limited Partnership Deed also provides that the articles of association of Mall General Partner may not be altered except in accordance with or to reflect the above provisions and the terms of the Mall GP Shareholders' Agreement.

Mall General Partner has general authority to appoint the Mall Fund Manager and the Mall Property Manager and is appointed to manage the business of the Mall Limited Partnership (subject to approval of the limited partner where required). The Mall Fund Manager is appointed to carry out those functions which require authorisation under FSMA and those functions set out in the Mall Fund Management Agreement to the exclusion of Mall General Partner. The Fund Manager also has the power to arrange borrowings on behalf of the Mall Limited Partnership (subject to the limitations set out in the Mall Limited Partnership Deed) and is also responsible for procuring valuations, determining the unit price and preparing quarterly and annual accounts.

Mall General Partner may be replaced as general partner by the limited partner by Special Resolution if Mall General Partner is in material breach of the Mall Limited Partnership Deed (which is unremedied within 10 business days of request) or it suffers an insolvency event.

Under the Mall Limited Partnership Deed, net income and net income loss are allocated between partners *pro rata* to their Partnership Units quarterly and net realised capital gain and net realised capital loss are allocated between partners *pro rata* to their Partnership Units at the month end following any disposal giving rise to such net realised capital gain or net realised capital loss.

Net income shall be allocated and distributed quarterly, subject to any financing agreements, paying indemnities (as set out below) and creating or increasing a reserve. Capital proceeds shall be applied (subject to any financing agreements) in repayment of borrowings, in paying indemnities (as set out below), creating or increasing a reserve, in making distributions to partners *pro rata* to their holding of Partnership Units in respect of profits realised on disposals and in repayment to partners of advances (and thereafter in repayment of capital contributions). The Mall Fund Manager may withhold capital proceeds from distributions to the extent identified for reinvestment, capital expenditure or to prepay borrowings. No distributions may be made if they would render the Mall Limited Partnership insolvent, if it would create an overdrawn current, capital or advance account of any partner, in breach of any financing agreement or if the Mall Limited Partnership has insufficient cash.

The Mall Limited Partnership Deed contains certain customary indemnities under which the Mall General Partner, the Mall Fund Manager and their directors, officers and employees are indemnified from partnership assets in respect of certain liabilities which might be incurred in the

performance of its duties (save where they result from fraud, negligence or wilful misconduct) and in respect of certain tax liabilities.

Transfers of Partnership Units by limited partners are permitted subject to certain restrictions including the requirement to enter into a deed of adherence, the requirement for the number of limited partners not to exceed one and subject to not breaching any financing agreement or applicable law.

The Mall Limited Partnership will terminate on: (a) Mall General Partner ceasing to act as general partner without the appointment of a replacement general partner; (b) on 30 June 2017, unless the term of the Mall Limited Partnership has been extended; (c) on 30 June 2018 in the event that any limited partner who has served a written notice of its wish to retire in respect of any Partnership Units has not received the amount per Partnership Unit it is entitled to receive by 30 June 2018; (d) on 30 June 2022, if the term of the Mall Limited Partnership is extended beyond 30 June 2017; or (e) by special resolution of the limited partners to sell all of the partnership assets.

On 5 July 2010 the term of the Mall Limited Partnership was extended to 30 June 2017. At any time within 25 business days after 30 June 2016, the Mall Fund Manager may serve a written notice on the limited partner asking it to consider extending the term of the Mall Limited Partnership to 30 June 2022. If the extension is agreed by a 75 per cent. majority then the term will be extended to the end on 30 June 2022. If the extension is not agreed then the winding up and dissolution of the Mall Limited Partnership will begin on 1 July 2017.

Any limited partner who votes against any extension of the term of the Mall Limited Partnership (in respect of all or part of its interest) is entitled to give notice that it wishes to retire from the Partnership in respect of all or part of its interest (a "**Retiring Partner**"). The amount that a Retiring Partner shall be entitled to receive for its Partnership Units will be calculated by the Mall Limited Partnership's auditors and will be the relevant unit price (determined by reference to the net asset value of the Mall Limited Partnership) multiplied by the Partnership Units held by the Retiring Partner, and after deducting each Retiring Partner's share of the costs of dissolving the Mall Limited Partnership and distributing the assets.

A limited partner that is remaining (a "**Remaining Partner**") will, after the Mall Fund Manager specifies a strategy for realising money to fund the payments due to a Retiring Partner, whether to fund such retirement payments from the realisation of assets and/or borrowing or the admission of additional limited partners. The Retiring Partners must be paid for their Partnership Units by 30 June 2018 or the Mall Limited Partnership must commence winding up. Once the Retiring Partner has received payment in respect of all of its Partnership Units, they shall retire in respect of the Partnership Units in question.

### **Mall Trust Instrument**

Under the terms of the Mall Trust Instrument, the Mall Trustee holds the whole of the trust property on trust for the Unitholders, in proportion to the number of Units held by them. The terms and conditions of the Mall Trust Instrument are binding upon each Unitholder.

Under the Mall Trust Instrument, the Mall Trustee issues Units to each Unitholder. Each Unit ranks *pari passu* (save that the A Units shall not be entitled to participate in any priority income, being income representing sums previously repaid to the Mall Limited Partnership by the Mall Fund Manager and the Mall Property Manager in respect of the calendar year ending 31 December 2008). Further Units may be issued subject to approval of the Unitholders by special resolution, and such Units may only be issued at a price calculated by the Mall Trust Manager by reference to the net asset value of the Mall Unit Trust (the "**Unit Price**") (unless otherwise approved by the Unitholders by special resolution). The Mall Trustee is entitled to admit any person as an additional Unitholder, subject to them satisfying customary eligibility requirements. If the Mall Trustee receives an invitation from the Mall Limited Partnership to subscribe for further Partnership Units, the Mall Trustee shall invite all Unitholders to subscribe for further Units corresponding to the value of the Partnership Units for which the Mall Trustee is entitled to subscribe, *pro rata*, to their holdings of Units.

Neither the Mall Trustee nor the Mall Trust Manager is entitled to arrange borrowings on behalf of the Mall Unit Trust other than temporary short-term borrowings not exceeding £100,000.

Units may be transferred subject to certain customary regulatory and eligibility requirements, the transferor and transferee maintaining a minimum holding of Units of £1,000,000 in value (or, in the case of the transferor, ceasing to be a Unitholder) and (in relation to a transfer by a member of

the Capital & Regional Group and whilst a member of the Capital & Regional Group remains Mall Property Manager) subject to a member of the Capital & Regional Group holding Units with a value of not less than £50,000,000.

The Mall Trust Instrument also contains certain “drag along” provisions which apply in the event that: (a) an offer is received to acquire all of the Units at a price of not less than the most recently published Unit Price and the offer is made by a third party who does not hold more than 5 per cent. of the Units and is not an associate or connected with such a Unitholder; or (b) a proposal is made by the Mall Fund Manager to list the Mall Fund. In these circumstances, the Mall Trust Manager must convene a meeting of Unitholders to consider a special resolution to approve the offer or listing proposal. If such special resolution is approved, all Unitholders are obliged to sell their Units (in the case of an offer) or exchange their Units for securities in the listing vehicle (in the case of a listing proposal).

The Mall Trustee is obliged to invest all subscription proceeds in the acquisition of units in the Mall Limited Partnership (“**Partnership Units**”). The Mall Trustee may not dispose of Partnership Units unless: (a) it has been approved by special resolution of the Unitholders; (b) it is required to meet liabilities of the Mall Trust; (c) in accordance with the termination and extension provisions of the Mall Limited Partnership Deed; or (d) in respect of the redemption or retirement of a Unitholder.

Save as otherwise provided above, the Mall Trustee has the same full and unrestricted powers in relation to the trust property that it would if it were absolutely and beneficially entitled to the trust property. The Mall Trustee, the Mall Trust Manager, their officers and employees and delegates are entitled to be indemnified out of the trust property in respect of all liabilities incurred in the execution of the trusts under the Mall Trust Instrument, all actions or claims relating to the provisions of the Mall Trust Instrument, and in respect of all sums to which they are entitled under the Mall Trust Instrument (other than where such claims arise from fraud, negligence or wilful misconduct).

Neither the Mall Trustee nor the Mall Trust Manager may retire voluntarily except upon the appointment of a replacement. The Mall Trustee and the Mall Trust Manager may be removed for cause or by special resolution of the Unitholders.

Trust income is allocated among Unitholders *pro rata* to their holdings of Units (save as provided above in relation to A Units) and is distributed quarterly net of chargeable expenses and other customary deductions.

Capital receipts deriving from Partnership Units shall be distributed to Unitholders *pro rata* to their holding of Units subject to deductions for chargeable expenses of a capital nature and other deductions. Prior to the distribution of capital receipts from the Mall Limited Partnership, the Mall Trust Manager shall apply such monies towards the redemption of Units which (save in relation to retiring Unitholders following an extension vote in relation to the Mall Limited Partnership (as more particularly described in the summary of the Mall Limited Partnership Deed)) shall be offered to all Unitholders who may apply for their Units to be redeemed at a redemption price equal to the most recently published Unit Price (subject to necessary adjustments) and in the case of over-subscription shall be allocated between Unitholders *pro rata* to their holding of Units.

Under the Mall Trust Instrument certain matters require the approval of Unitholders, either by Special Resolution, Unanimous Resolution or Ordinary Resolution. The Mall Trust Instrument may only be amended by Special Resolution save that no variation may be made to impose additional payment obligations or adversely affect a Unitholder’s rights, alter or prejudice the UK tax status of the Mall Unit Trust or vary any matter which requires consent to any matter of a Unitholder, without the consent of all Unitholders so adversely affected.

Ordinary Resolutions require the approval of Unitholders holding more than 50 per cent. of the Units of Unitholders entitled to vote on such resolution (excluding Interested Unitholders). Special Resolutions require the approval of Unitholders holding the Relevant Percentage of the Units of Unitholders entitled to vote on such resolution (excluding Interested Unitholders). Unanimous Resolutions require the approval of all Unitholders entitled to vote on such resolution (excluding Interested Unitholders). The Relevant Percentage means 85 per cent., save where the aggregate holding of Units of the Mall Property Manager and the Mall Fund Manager (and their associates) falls below 70.8 per cent., then the Relevant Percentage shall be reduced by 0.131 per cent. for each 0.1 per cent. by which their aggregate holding falls below 70.8 per cent., but shall not be less than 75 per cent.

A Unitholder is not entitled to vote on a resolution on which it is an Interested Unitholder (see below).

Unitholders have specific rights to vote in relation to the extension of the terms of the Mall Limited Partnership as described below.

Where the Mall Trustee is entitled to exercise voting rights as a limited partner in the Mall Limited Partnership ("**Trustee Voting Right Matters**") it is obliged to notify and report to the Unitholders on such matter. Any Unitholder(s) holding more than 5 per cent. of the Units is then entitled to request that a meeting of the Unitholders be convened to consider the exercise of such voting rights.

In the absence of a request for such a meeting, the Mall Trustee is entitled to exercise the voting rights in accordance with the recommendation of the Mall Trust Manager (as notified to the Unitholders).

If a meeting is requested but is inquorate, the Mall Trustee shall exercise its voting rights in the best interests of the Unitholders, having regard to but not being bound by the Mall Trust Manager's recommendation and the views of Unitholders who attended the meeting.

If a meeting is convened and Unitholders are present who hold more than 50 per cent. of the Units of all Unitholders (excluding any Interested Unitholders), the Mall Trustee shall exercise its voting rights in accordance with the votes of the Unitholders attending and voting at the meeting and the Mall Trustee may split its vote in order to do so. To the extent that any Unitholders do not attend or do not vote, the Mall Trustee the corresponding proportion of its voting rights in the best interests of Unitholders who did not attend or did not vote at the meeting.

The provisions relating to the inability of Interested Unitholders to vote on matters apply equally to votes in relation to how the Mall Trustee exercises its voting rights in relation to any Trustee Voting Rights Matters (see below).

Notwithstanding the above provisions, the Mall Trustee may exercise its voting rights contrary to the wishes of Unitholders if to comply with such wishes is likely to prejudice the Mall Trustee, the Mall Unit Trust or risk the non-UK tax residence of the Mall Unit Trust.

A Capital & Regional Unitholder is an Interested Unitholder (as it is an associate of the Mall Property Manager) in relation to:

- any Property Manager Conflict Matter, being a Trustee Voting Right Matter that relates to: (a) where Mall General Partner is an associate or member of same group as the Mall Property Manager, the removal and replacement of Mall General Partner in accordance with the Mall Limited Partnership Deed; (b) the removal and replacement of the Mall Property Manager in accordance with the Mall Limited Partnership Deed; (c) any increase in the fees of the Mall Property Manager; and (d) the approval or removal of the C Director of Mall General Partner; or
- any matter in which it (or any associate, member of its group or connected person) has a material interest, where such interest arises independently of its capacity as a Unitholder excluding certain permitted matters in respect of which a Unitholder will not be an Interested Unitholder, being: (a) a resolution to extend the term of the Limited Partnership as provided in the Mall Limited Partnership Deed; (b) a resolution to sell all the partnership assets and terminate the Limited Partnership as provided in the Mall Limited Partnership Deed; (c) the amendment of the Trust objective (being to invest in the Mall Limited Partnership); (d) a resolution relating to the sale by the Mall Trustee of the Partnership Units; (e) a resolution relating to the sale of all investments of the Mall Unit Trust and the termination of the Mall Unit Trust; (f) a resolution relating to the increase in the fees of the Mall Trustee; and (g) a resolution for the removal of the Mall Trustee and the appointment of a replacement trustee.

The Mall Trust shall terminate: (a) when the Mall Limited Partnership terminates; (b) by special resolution of the Unitholders to sell all its investments; (c) if a trustee or manager ceases to be appointed and is not replaced; (d) if required by law; or (e) on the fiftieth anniversary of the date of the original trust instrument.

Any Unitholder who votes not to extend the term of the Mall Limited Partnership shall be entitled to retire as a Unitholder. The remaining Unitholders are then entitled to acquire the Units of the retiring Unitholder at the Unit Price (as adjusted for retirement costs) calculated by the auditors. To the extent any of the Units held by a retiring Unitholder remain unsold, the Mall Limited Partnership

shall realise or refinance assets to finance such retirement in accordance with the terms of the Mall Limited Partnership Deed. Once the remaining Unitholder has received payment in respect of all of its Units, such Units shall be cancelled and he shall cease to be a Unitholder.

### **Mall GP Shareholders' Agreement**

On 21 August 2009 an amended and restated shareholders' agreement was entered into by Norwich Union (Shareholder GP) Limited, Capital & Regional GP (together, the "**GP Shareholders**") and Mall General Partner, superseding the previous iterations of the shareholders' agreement dated 25 January 2002 and 9 March 2004. The Mall GP Shareholders' Agreement sets the terms upon which the GP Shareholders participate as shareholders in Mall General Partner.

The share capital of Mall General Partner is divided into 500 "A" ordinary shares of £1 each held by Norwich Union (Shareholder GP) Limited (the "**A Shareholder**") and 500 "B" ordinary shares of £1 each held by Capital & Regional GP (the "**B Shareholder**").

Each of the GP Shareholders agrees to use reasonable endeavours to procure that Mall General Partner does not conduct any business beyond that necessary as general partner of the Mall Limited Partnership, does not incur liabilities beyond those incurred in the conduct of such business, conducts its business in accordance with sound and good business practice and commercial profit making principles, and distributes its profits annually by way of a dividend.

Each of the GP Shareholders agrees to provide non-interest bearing loans to Mall General Partner equal to half the monies that Mall General Partner is required to contribute to the Mall Limited Partnership as partnership capital, such loans not to be repayable until dissolution of the Mall Limited Partnership unless Mall General Partner agrees otherwise.

The board of Mall General Partner is to have a maximum of six members. The A Shareholder is entitled to appoint two directors, to be designated A Directors, and remove anyone so appointed, and the B Shareholder is entitled to appoint one director, to be designated a B Director, and remove anyone so appointed. The A Shareholder and the B Shareholder agree to take all actions within their power to ensure that at least one C Director and two Independent Directors are appointed to the board of in accordance with the Mall Limited Partnership Deed. The chairman of the board is to be an Independent Director. In the event of an equality of votes at a board meeting, the chairman has a second (casting) vote.

If the Aviva group's interests in the Mall Limited Partnership (indirectly by virtue of its interest in the Mall Unit Trust) fall below £50,000,000, then if the Mall Unit Trust (acting by the Mall Fund Manager or the Mall Trust Manager) so requests, Norwich Union (Shareholder GP) Limited shall transfer its shares in Mall General Partner to any person who holds units in the Mall Unit Trust in amounts exceeding £50,000,000 and replace the A Directors with people nominated by the buyer. Equivalent provisions apply if the holdings of the Group fall below £50,000,000. No other transfers of shares in Mall General Partner are permitted other than intra-group transfers.

The agreement continues in full force and effect until the first to occur of the dissolution of Mall General Partner following its winding up, or the agreement in writing from all of the shareholders.

### **The Mall Fund Management Agreement**

Pursuant to the terms of a fund manager's agreement originally dated 25 January 2002 and a number of deeds of variation up to and including 4 April 2013, the Mall Fund Manager was appointed as the fund manager of the Mall Limited Partnership and receives management and other fees (including performance fees) in relation to the Mall Limited Partnership.

The Mall Limited Partnership is entitled to terminate the Mall Fund Management Agreement by notice in writing served on the Mall Fund Manager in the event of:

- the Mall Fund Manager ceasing to be authorised under FSMA to operate the Mall Limited Partnership;
- completion of the winding-up of the Mall Limited Partnership taking place;
- any material default by the Mall Fund Manager of its obligations under the agreement (which, if capable, is not remedied within 30 business days);
- any specified insolvency event occurs in relation to the Mall Fund Manager;
- the Mall Fund Manager resigning as fund manager to the Mall Limited Partnership (on not less than 65 business days' notice);



- the Mall Fund Manager committing any illegal, fraudulent or dishonest act; or
- the property IRR in any three year rolling period being less than the prescribed benchmark.

### The Mall Property Management Agreement

Please refer to the summary of this agreement on page 216 of this document.

### Mall Fund Senior Facility

On 30 May 2014, the Mall Limited Partnership as borrower, Mall General Partner, various guarantor companies (as listed below), Morgan Stanley & Co. International plc as mandated lead arranger, Morgan Stanley Bank N.A. as lender, Mount Street Loan Solutions LLP as agent and Mount Street Loan Solutions LLP as security agent entered into a facilities agreement (the “**Mall Fund Senior Facility**”).

Subject to the terms of the Mall Fund Senior Facility, the lenders make available to the Mall Limited Partnership the following facilities:

- a term loan facility of up to £116,666,666.67 (“**Tranche A**”);
- a term loan facility of up to £233,333,333.33 (“**Tranche B**”); and
- a term loan facility of up to £25,000,000 (the “**Capex Facility**”).

Tranche A and Tranche B shall be used towards refinancing the Mall Funding Loan; the payment of the costs of any close-out of any derivative transaction required as part of the refinancing of the Mall Funding Loan; and the payment of any approved fees, costs and expenses, stamp registration and other taxes incurred in connection with the refinancing of the Mall Funding Loan. The Capex Facility shall be used towards future capital expenditure or refinancing capital expenditure in the previous six months.

The full amount has been drawn under Tranche A and Tranche B. The Capex Facility is available to and including the date one month prior to the fifth anniversary of the date of the Mall Fund Senior Facility (the fifth anniversary of the date of the Mall Fund Senior Facility being the “**Termination Date**”).

A lender may also, with the consent of all lenders, make a property protection loan (a “**Property Protection Loan**”) to finance the payment of rent or any other amount, or any cost or expense, under or in connection with a headlease, the payment of any premium for insurance, or any cost or expense required to keep any insurance in force, in accordance with the Mall Fund Senior Facility or the payment of any amount which, in the opinion of the lender concerned, is required to preserve or protect any security asset, in circumstances where there has been a failure to pay the relevant amount. These loans will be repayable on demand and in any event on the Termination Date.

The rate of interest on Tranche A and the Capex Facility is a margin plus LIBOR (for the purposes of the Mall Fund Senior Facility where LIBOR falls below zero it will be deemed to be zero). The Mall Limited Partnership is required to enter into fully paid interest rate caps in respect of 100 per cent. of the outstanding loan under Tranche A. An interest rate cap with a 2.75 per cent. strike price was entered into in respect of Tranche A on 30 May 2014 at a premium cost of £2.2 million.

The rate of interest on Tranche B is, on or before the Termination Date, a margin plus a fixed rate of 1.86 per cent. and, after the Termination Date, a margin plus LIBOR. The Mall Limited Partnership will be liable for any fixed rate break costs.

The margin is 1.90 per cent. per annum, but will change based on the loan to value ratio as follows:

<b>Loan to Value</b>	<b>Margin % p.a.</b>
Less than or equal to 45 per cent.	1.75
Greater than 45 per cent. but less than or equal to 60 per cent.	1.90
Greater than 60 per cent.	2.15

While an event of default is continuing or if there is a failure to deliver a compliance certificate, then the margin shall be the highest percentage per annum set out above.



If there is a failure to pay under any finance document, default interest is payable at a rate of 2 per cent. higher than the rate which would otherwise have been paid.

Each Property Protection Loan shall bear default interest as if it were an overdue amount payable on a loan under Tranche A.

All outstanding loans are repayable on the Termination Date.

There are a number of events which would lead to a prepayment of the loan, including (but not limited to) certain changes of control of and ownership relating to the Mall Limited Partnership and the Mall Unit Trust and disposals.

The Mall Limited Partnership must maintain a number of accounts to deal with rental income, capital expenditure and other amounts received, over some of which the security agent will have signing rights. The Capital & Regional Property Manager is also permitted to maintain certain accounts on behalf of the Mall Limited Partnership. Cash will be trapped where the LTV Ratio is equal to or greater than 65 per cent. (of up to an amount equal to the amount which, if applied in prepayment, would cause the LTV Ratio to be equal to or less than 65 per cent.) or where the projected ICR is less than 150 per cent. and a default is continuing.

Representations and warranties and undertakings customary for this type of facility have been given by the Mall Limited Partnership and the guarantor companies. Distributions and repayments of subordinated debt are only permitted where there is no default and out of surplus monies which have been paid into certain specific accounts. The terms of the financial covenants provide that the loan to value must not exceed 75 per cent and projected interest cover is at least 125 per cent. The Mall Limited Partnership has certain cure rights in respect of the financial covenants.

Customary events of default are included in the Mall Fund Senior Facility, which enable the lenders to, amongst other things, declare the loans immediately due and payable.

Various undertakings as to costs and expenses and various indemnities have been given pursuant to the Mall Fund Senior Facility (including an indemnity in respect of the termination of any fixed rate hedging transaction).

Certain fees are payable in relation to the Mall Fund Senior Facility including a commitment fee of 40 per cent. of the relevant margin for all undrawn amounts and, during the first 30 months of the facility, a prepayment and cancellation fee of between 1.5 per cent. and 0.5 per cent., dependent on when the cancellation or prepayment is made, of the amount prepaid or cancelled.

A guarantee and indemnity of all obligations under the finance documents is provided in the Mall Fund Senior Facility by the Mall Limited Partnership, Mall General Partner, Pavilion Trustees Limited and Pavilion Property Trustees Limited in their capacity as trustees of The Main Square Camberley Unit Trust, Selborne Walthamstow Ltd., Selborne One Ltd., Selborne Two Ltd., Wood Green London Ltd., Wood Green One Ltd., Wood Green Two Ltd., Mall Nominee One Ltd., Mall Nominee Two Ltd, Norwich Union (Mall General Partner) Limited and Capital & Regional (Mall General Partner) Limited (the "**Obligors**").

Each of the Obligors (as listed above) have entered into a security agreement, granting all asset security in favour of the security agent. Security interest agreements have been entered into granting security over the shares and all derivative rights in Wood Green London Limited and Selborne Walthamstow Limited held by Mall (General Partner) Limited and over the units in the Main Square Camberley Unit Trust held by Mall (General Partner) Limited.

Mall (General Partner) Limited has also entered into a security interest agreement in relation to loans to Pavilion Trustees Limited and Pavilion Property Trustees Limited as trustees of the Main Square Camberley Unit Trust, Selborne Walthamstow Limited and Wood Green London Limited.

Each of the Mall Trustee and Mall General Partner has assigned by way of security its rights and interest in the Mall Limited Partnership and any related rights. The Mall Trustee has agreed to subordinate any debt in to the Mall Limited Partnership or any Obligor behind the Mall Fund Senior Facility and postpone any payments, save as permitted by the Mall Fund Senior Facility.

In relation to its role as property manager, the Capital & Regional Property Manager has entered into a duty of care agreement with the Mall Limited Partnership, Pavilion Property Trustees Limited and Pavilion Trustees Limited as trustees of The Main Square Camberley Unit Trust, Aviva Investors as fund manager, the Company and Mount Street Loan Solutions LLP as agent. The performance fee pursuant to the property management agreement is only payable to the Capital &

Regional Property Manager where permitted under the Mall Fund Senior Facility and sufficient funds are standing to the credit of certain specified accounts.

The Obligors have entered into a subordination agreement subordinating any debt between Obligors behind the Mall Fund Senior Facility and postponing any payments, save as permitted pursuant to the Mall Fund Senior Facility.

#### **The Uxbridge Sale Agreement**

By a sale agreement dated 4 July 2013 between the Mall Limited Partnership acting by its general partner, Mall General Partner and Mars Pension Trustees Limited, the Mall Limited Partnership agreed to sell the property known as The Mall (Pavilions Shopping Centre), Uxbridge, for the sum of £64.5 million. The sale was completed on 12 July 2013.

Under the terms of the agreement, the Mall Limited Partnership gave an indemnity, uncapped in time and amount, in respect of certain claims arising pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“**TUPE**”).

#### **The Sutton Coldfield Sale Agreement**

By a sale agreement dated 5 July 2013 between the Mall Limited Partnership acting by its general partner, Mall General Partner and British Overseas Bank Nominees Limited and WGTC Nominees Limited in their capacity as nominees for and on behalf of National Westminster Bank Plc, the Mall Limited Partnership agreed to sell the property known as The Mall (Gracechurch Shopping Centre), Sutton Coldfield, for the sum of £87.975 million. The sale was completed on 12 July 2013.

Under the terms of the agreement, the Mall Limited Partnership gave an indemnity, uncapped in time and amount, in respect of certain claims arising pursuant to TUPE.

#### **The Norwich Sale Agreement**

By a sale agreement dated 31 May 2012 between the Mall Limited Partnership acting by its general partner, Mall General Partner and Infrared UK Retail Nominee 3 Limited and Infrared UK Retail Nominee 4 Limited, the Mall Limited Partnership agreed to sell the property known as the Castle Mall Shopping Centre, Norwich, for the sum of £77.3 million. The sale was completed on 11 July 2012.

## **17 RELATED PARTY TRANSACTIONS**

### *Capital & Regional*

Other than as disclosed in the financial information incorporated by reference into this document for the financial years ended 30 December 2011, 2012 and 2013 in Part IX (*Historical Financial Information on Capital & Regional*) of this document and the Related Party Transactions, neither the Company nor any member of the Group has entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) with any related party during the financial years ended 30 December 2011, 2012 and 2013 and during the period between 30 December 2013 and 20 June 2014 (being the latest practicable date prior to the publication of this document).

### *The Mall Fund*

Other than as disclosed in the financial information for the financial years ended 31 December 2011, 2012 and 2013 in Part VIII (*Historical Financial Information on the Mall Fund*) of this document, the Mall Fund has not entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) during the financial years ended 31 December 2011, 2012 and 2013 and during the period between 31 December 2013 and 20 June 2014 (being, the latest practicable date prior to the publication of this document).

## **18 DIVIDENDS**

The Company has to date operated, and will continue to operate, a dividend policy through which dividends are normally covered by operational cash flow generated by the Group.

The table below sets out the dividend per Ordinary Share in respect of each of the financial years indicated:

Year ended 30 December 2011: No dividend paid

Year ended 30 December 2012: No dividend paid

Year ended 30 December 2013: An interim dividend of 0.25p per Ordinary Share was declared on 14 August 2013 and paid on 27 September 2013 and a second interim dividend of 0.40p per Ordinary Share in lieu of a final dividend was declared on 5 March 2014 and paid on 11 April 2014, making a total dividend of 0.65p per Ordinary Share for the financial year ended 30 December 2013.

Should the Group become a REIT, it will be required to distribute not less than 90 per cent of its earnings as dividends to Shareholders. Irrespective of the timing of such conversion to a REIT, the Group intends to distribute the majority of its earnings as dividends. This will be adopted by the Group in respect of the first full financial year of ownership of the Mall Fund in the absence of conversion to a REIT. The Board believes, based on the Offer Price, that the Group has the ability to offer Shareholders a highly attractive yield relative to the sector.

## **19 WORKING CAPITAL**

The Company is of the opinion that, after taking into account its available bank facilities and the net proceeds of the Capital Raising, the working capital available to the Group is sufficient for its present requirements, that is, for at least 12 months following the date of publication of this document.

## **20 NO SIGNIFICANT CHANGE**

### *Capital & Regional*

There has been no significant change in the financial or trading position of the Group since 30 December 2013, being the end of the last financial period of the Group for which financial information was prepared.

### *Mall*

Save for the Mall Fund's entry into the Mall Fund Senior Facility, further details of which are set out in paragraph 16 of this Part XVI (*Additional Information*) and the related repayment in full of the Mall Funding Loan, further details of which are set out in paragraph 6.6 of Part VI (*Information on the Mall Fund*) of this document, there has been no significant change in the financial or trading position of the Mall Fund since 31 December 2013, being the end of the last financial period of the Mall Fund for which financial information was prepared.

## **21 CONSENTS**

- 21.1** The auditors and reporting accountants of the Company are Deloitte LLP. Deloitte LLP has given and has not withdrawn its consent to the inclusion in this document of its Accountant's Reports in Section B of Part X (*Historical Financial Information on the Mall Fund*) and Section B of Part XI (*Unaudited Pro Forma Financial Information*) of this document in the form and context in which they appear and has authorised the contents of those reports for the purposes of paragraph 5.5.3(2)(f) of the Prospectus Rules. Deloitte LLP is a member of the Institute of Chartered Accountants of England and Wales.
- 21.2** J.P. Morgan Cazenove has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- 21.3** Numis has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- 21.4** Cushman and Wakefield LLP has given and has not withdrawn its written consent to the inclusion in this document of the references to its name and its property valuation report in Part XIII (*Property Valuation Reports*) of this document in the form and context in which they appear and has authorised, and accordingly takes responsibility for, the contents of that report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. There has been no material change in the valuation of the properties which are the subject of this property valuation report since the date of the valuation contained in the report.
- 21.5** CBRE Ltd has given and has not withdrawn its written consent to the inclusion in this document of the references to its name and its property valuation report in Part XIII (*Property Valuation Reports*) of this document in the form and context in which they appear and has authorised, and accordingly takes responsibility for, the contents of that report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. There has been no material change in

the valuation of the properties which are the subject of this property valuation report since the date of the valuation contained in the report.

**21.6** DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the inclusion in this document of the references to its name and its property valuation report in Part XIII (*Property Valuation Reports*) of this document in the form and context in which they appear and has authorised, and accordingly takes responsibility for, the contents of that report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. There has been no material change in the valuation of the properties which are the subject of this property valuation report since the date of the valuation contained in the report.

## **22 GENERAL**

**22.1** The audited consolidated financial statements of the Company in respect of each of the years ended 30 December 2011, 2012 and 2013 were reported on by Deloitte LLP, the auditors of the company for the period of the historical financial information set out in this document. The auditors of the company made reports in respect of each of the three years ended 30 December 2011, 2012 and 2013 and such reports were unqualified reports.

**22.2** The total costs, charges and expenses payable by the Company in connection with the Acquisition and the Capital Raising are estimated to be £7.2 million (exclusive of VAT).

## **23 ENVIRONMENTAL ISSUES**

The Company is of the opinion that there are no environmental issues which may affect the Group's utilisation of its tangible fixed assets.

## **24 LITIGATION**

### *Capital & Regional*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months preceding the date of this document which may have, or have had in the recent past significant effects on the Company's financial position or profitability.

### *The Mall Fund*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Mall Fund is aware) during the previous 12 months preceding the date of this document which may have, or have had in the recent past significant effects on the Mall Fund's financial position or profitability.

## **25 PROPERTY, PLANT AND EQUIPMENT**

### *Capital & Regional*

There is no existing or planned tangible fixed asset which is material to the Company.

The Company is not aware of any environmental issues that may affect the Company's utilisation of tangible fixed assets.

### *The Mall Fund*

Aside from the properties described in Part VI (*Information on the Mall Fund*) of this document, there is no existing or planned tangible fixed asset which is material to the Mall Fund.

## **26 RESEARCH AND DEVELOPMENT**

No material amounts were spent on research and development activities by either the Group or the Mall Fund during the period of the historical information referred to in Part IX (*Historical Financial Information on Capital & Regional*) and Part X (*Historical Financial Information on the Mall Fund*) of this document.

## **27 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company and at the offices of Olswang LLP at 90 High Holborn, London WC1V 6XX during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) until Admission and will also

be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- (a) the Articles;
- (b) the Annual Reports and Accounts of the Group for the three financial years ended 30 December 2011, 2012 and 2013;
- (c) the audited accounts of the Mall Fund for the three financial years ended 31 December 2011, 2012 and 2013;
- (d) the valuation reports included in Part XIII (*Property Valuation Reports*) of this document;
- (e) the Accountant's Report prepared by Deloitte LLP on the historical financial information on the Mall Fund set out in Part B of Part X (*Historical Financial Information on the Mall Fund*) of this document;
- (f) the Accountant's Report prepared by Deloitte LLP on the unaudited *pro forma* financial information set out in Part B of Part XI (*Unaudited Pro Forma Financial Information*) of this document;
- (g) the Aviva Acquisition Agreement, the Karoo Acquisition Agreement and the Mall GP Acquisition Agreement;
- (h) the consent letters referred to in paragraph 21 of this Part XVI (*Additional Information*); and
- (i) this document.

## **28 THIRD PARTY INFORMATION**

Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as Capital & Regional is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **29 ANNOUNCEMENT OF RESULTS OF THE OPEN OFFER**

The Company will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Capital Raising and details of the placing of New Ordinary Shares not taken up by Qualifying Shareholders on or around 9 July 2014.

## PART XVII

### DEFINITIONS

The following definitions apply in this document unless the context otherwise requires:

<b>“2004 Trust”</b>	means the Capital & Regional 2004 Employee Share Trust described in paragraph 14 of Part XVI ( <i>Additional Information</i> ) of this document
<b>“2012 Amended Revolving Credit Facility”</b>	means the amended revolving credit facility agreement entered into between Capital & Regional Holdings and Bank of Scotland plc on 31 August 2012
<b>“2014 Amended and Restated Revolving Credit Facility”</b>	means the amended and restated revolving credit facility agreement which has become effective pursuant to an agreement to amend and restate the 2012 Amended and Restated Revolving Credit Facility entered into between Capital & Regional Holdings and Bank of Scotland plc on 6 June 2014, as amended on 12 June 2014
<b>“Acquisition”</b>	means the proposed acquisition by the Group of, in aggregate, 589,369,647 Units pursuant to the Aviva Acquisition Agreement and the Karoo Acquisition Agreement together with the acquisition of certain shares by the Group in Mall General Partner pursuant to the Mall GP Acquisition Agreement
<b>“Admission”</b>	means: <ul style="list-style-type: none"><li>(i) the admission of the New Ordinary Shares to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules and the admission of the New Ordinary Shares to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Admission and Disclosure Standards; and</li><li>(ii) Re-admission,</li></ul> which will occur simultaneously
<b>“Admission and Disclosure Standards”</b>	means the requirements contained in the publication ‘Admission and Disclosure Standards’ dated April 2002 (as amended from time to time)
<b>“AIFMD”</b>	means the Alternative Investment Fund Managers Directive (2011/61/EU)
<b>“Apollo”</b>	means Apollo Euro B.V.
<b>“Application Form”</b>	means the personalised application form on which Qualifying Non-CREST Shareholders may apply for New Ordinary Shares under the Open Offer (including in respect of Excess Shares under the Excess Application Facility)
<b>“Ares”</b>	means Ares Management, formerly AREA Property Partners
<b>“Articles”</b>	means the articles of association of the Company
<b>“Aviva” or the “Aviva Sellers”</b>	means Aviva Life & Pensions UK Limited, Aviva Life & Pensions UK Limited (Aviva Linked Property Fund), State Street Nominees Limited and Chase Nominees Limited
<b>“Aviva Acquisition Agreement”</b>	means the agreement entered into on 20 June 2014 between Capital & Regional Europe Holdings, the Aviva Sellers, the Company and the Mall Trustee in relation to the conditional agreement for Capital & Regional Europe Holdings to acquire the Units held by the Aviva Sellers
<b>“Aviva GP”</b>	means Norwich Union (Mall GP) Limited
<b>“Aviva Investors”</b>	means Aviva Investors Global Services Limited



<b>“Basic Entitlement”</b>	means the <i>pro rata</i> entitlement of a Qualifying Shareholder to subscribe for 53 Open Offers Shares for every 66 Existing Ordinary Shares registered in his name as at the Record Date
<b>“Benefit Plan Investors”</b>	means a (i) Plan or (ii) any entity whose underlying assets include assets of a Plan by reason of a Plan’s investment in the entity
<b>“Board”</b>	means the board of directors of the Company
<b>“Bookrunners”</b>	means J.P. Morgan Cazenove and Numis
<b>“Business Day”</b>	means a day on which the London Stock Exchange and the banks in London are normally open for business
<b>“Capital Raising”</b>	means the Firm Placing, the Placing and the Open Offer
<b>“Capital &amp; Regional Employee Share Plans”</b>	means the LTIP and the SAYE Scheme
<b>“Capital &amp; Regional Europe Holdings”</b>	means Capital & Regional (Europe Holding 5) Limited
<b>“Capital &amp; Regional GP”</b>	means Capital & Regional (Mall GP) Limited
<b>“Capital &amp; Regional Holdings”</b>	means Capital & Regional Holdings Limited
<b>“Capital &amp; Regional Property Manager”</b>	means Capital & Regional Property Management Limited
<b>“Capital &amp; Regional Units”</b>	means Capital & Regional Units LLP
<b>“certificated” or “certificated form”</b>	means in relation to a share or other security, a share or other security title to which is recorded in the relevant register as being held in certificated form (that is, not in CREST)
<b>“CGT”</b>	means Capital Gains Tax
<b>“Closing Price”</b>	means the closing middle market quotation of an Existing Ordinary Share as derived from the daily official list published by the London Stock Exchange
<b>“CMBS”</b>	means the commercial mortgage backed securitisation originally entered into by the Mall Limited Partnership in July 2005, as subsequently amended
<b>“CMBS LTV Ratio”</b>	means, at any time, the ratio of debt under the CMBS to the value of the properties in the Mall Fund at such time
<b>“CMBS Net Debt to Value Ratio”</b>	means, at any time, the ratio of debt under the CMBS less cash to the value of the properties in the Mall Fund at such time
<b>“Companies Act”</b>	means the Companies Act 2006, as amended
<b>“Company” or “Capital &amp; Regional”</b>	means Capital & Regional plc
<b>“Completion”</b>	means completion of the Acquisition in accordance with the terms of the Aviva Acquisition Agreement and the Karoo Acquisition Agreement and completion of the Mall GP Acquisition Agreement
<b>“CREST”</b>	means the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as operator pursuant to the CREST Regulations
<b>“CREST Deposit Form”</b>	means the CREST deposit form set out in box 14 on page 4 of the Application Form
<b>“CREST Manual”</b>	means the compendium of documents entitled CREST Manual issued by Euroclear from time to time
<b>“CREST Regulations”</b>	means the Uncertificated Securities Regulations 2001 (SI No. 2001/3755), as amended
<b>“Deferred Shares”</b>	means deferred shares of £0.09 each in the capital of the Company

<b>“Directors”</b>	means directors of Capital & Regional as at the date of this document and <b>“Director”</b> means any one of them
<b>“Disclosure and Transparency Rules”</b>	means the disclosure rules and transparency rules of the UK Listing Authority made pursuant to Part VI of FSMA
<b>“Disqualified Persons”</b>	has the meaning given in section 4795(e)(2) of the Internal Revenue Code
<b>“Enlarged Group”</b>	means the Group as enlarged by the Acquisition
<b>“Enlarged Share Capital”</b>	means the expected issued ordinary share capital of the Company following the issue of the New Ordinary Shares pursuant to the Capital Raising
<b>“ERISA”</b>	means the United States Employee Retirement Income Security Act of 1974, as amended
<b>“ERV”</b>	means estimated rental values
<b>“ESOT”</b>	means the Capital & Regional Employee Share Ownership Trust 2002 described in paragraph 14 of Part XVI ( <i>Additional Information</i> ) of this document
<b>“EU”</b>	means the European Union
<b>“Euro”</b>	means the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Union, as amended from time to time
<b>“Euroclear”</b>	means Euroclear UK & Ireland Limited
<b>“Excess Application Facility”</b>	means the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Basic Entitlement in accordance with the terms and conditions of the Open Offer
<b>“Excess CREST Open Offer Entitlement”</b>	means in respect of each Qualifying CREST Shareholder who has taken up his Basic Entitlement in full, the entitlement (in addition to his Basic Entitlement) to apply for Open Offer Shares up to the number of Open Offer Shares comprised in his Open Offer Entitlement, credited to his stock account in CREST, pursuant to the Excess Application Facility, which may be subject to scaling back in accordance with the terms and conditions of the Open Offer
<b>“Excess Shares”</b>	means Open Offer Shares which are not taken up by Qualifying Shareholders pursuant to their Basic Entitlement and are offered to Qualifying Shareholders under the Excess Application Facility
<b>“Excluded Shareholders”</b>	means, subject to certain exceptions, Shareholders that are US Persons or who have registered addresses in, who are incorporated in, registered in, or otherwise citizens of, residents of, or located in, any Excluded Territory
<b>“Excluded Territories”</b>	means Australia, Canada, Germany, Japan, the Republic of South Africa and United States and any jurisdiction where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would breach any applicable laws or regulations, and <b>“Excluded Territory”</b> shall mean any of them
<b>“Executive Directors”</b>	means the executive directors of the Company from time to time, which at the date of this document are Hugh Scott-Barrett, Mark Bourgeois, Kenneth Ford and Charles Staveley
<b>“Ex-entitlement Date”</b>	means the date on which the Existing Ordinary Shares are marked ex-entitlement, being 8.00 a.m. on 23 June 2014
<b>“Existing Ordinary Shares”</b>	means the 349,688,796 existing Ordinary Shares in issue at the date of this document

<b>“Financial Conduct Authority”</b> or <b>“FCA”</b>	means the Financial Conduct Authority in the UK
<b>“Firm Placed Shares”</b>	means the 70,253,131 New Ordinary Shares which are to be issued under the Firm Placing
<b>“Firm Placing”</b>	means the conditional firm placing by the Bookrunners, as agents and on behalf of the Company, of the Firm Placed Shares at the Offer Price on the terms and subject to the conditions in the Underwriting Agreement and the Placing Letters, which Firm Placed Shares will not be subject to clawback under the Open Offer
<b>“Form of Proxy”</b>	means the form of proxy which accompanies this document for use at the General Meeting
<b>“Fund Manager Performance Fee Agreement”</b>	means the agreement dated 12 June 2014 between Aviva Investors and the Company in connection with the waiver of certain rights by Aviva Investors under the Mall Fund Management Agreement
<b>“FSMA”</b>	means the Financial Services and Markets Act 2000, as amended
<b>“Garigal”</b>	means Garigal Asset Management GmbH
<b>“GDP”</b>	means gross domestic product
<b>“General Meeting”</b>	means the general meeting of the Company to be held at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW at 2.00 p.m. on 9 July 2014, or any adjournment thereof, to consider and, if thought fit, to approve the Resolutions, notice of which is set out at the end of this document
<b>“German Joint Venture”</b>	means the joint ventures between Capital & Regional and Ares through which the Group invests in commercial retail property portfolios in Germany
<b>“Great Northern Warehouse”</b>	means the leisure property in Manchester known as the “Great Northern Warehouse” which the Group previously owned
<b>“Group”</b>	means the Company, its subsidiaries and subsidiary undertakings or, following Completion, the Enlarged Group
<b>“HMRC”</b>	means Her Majesty’s Revenue and Customs
<b>“ICR”</b>	means the Interest Cover Ratio as described in the CMBS
<b>“IFRS”</b>	means International Financial Reporting Standards
<b>“Independent Board”</b>	means the Board other than the Related Party Directors
<b>“Interest Rate Swap”</b>	means the interest rate swap entered into by Mall Funding plc to mitigate the interest rate risk arising in relation to the payment of a floating rate of interest under the Notes
<b>“Internal Revenue Code”</b>	means the United States Internal Revenue Code of 1986, as amended
<b>“IRR”</b>	means initial rate of return
<b>“ISIN”</b>	means International Securities Identification Number
<b>“ITEPA”</b>	means the Income Tax (Earnings and Pensions) Act 2003
<b>“J.P. Morgan Cazenove”</b>	means J.P. Morgan Securities plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove
<b>“Junction Fund”</b>	means the retail parks fund known as the Junction Fund in relation to which the Group was previously a unitholder and property and asset manager
<b>“Karoo”</b>	means The Karoo Investment Fund S.C.A. SICAV-SIF

<b>“Karoo Acquisition Agreement”</b>	means the agreement entered into on 20 June 2014 between Capital & Regional Europe Holdings, Karoo, the Company and the Mall Trustee in relation to the conditional agreement for Capital & Regional Europe Holdings to acquire the Units held by Karoo
<b>“Karoo Acquisition Settlement Letter”</b>	means the settlement letter agreement entered into between Karoo, Capital & Regional Europe Holdings and the Company on 20 June 2014 in relation to the settlement of amounts due under the Karoo Acquisition Agreement and the Karoo Subscription Agreement
<b>“Karoo Subscription”</b>	means the agreement by Karoo to subscribe for the Karoo Subscription Shares at the Offer Price on the terms and conditions in the Karoo Subscription Agreement
<b>“Karoo Subscription Agreement”</b>	means the subscription agreement signed by Karoo on the date of this document in favour of the Company by which Karoo agrees to subscribe for the Karoo Subscription Shares at the Offer Price
<b>“Karoo Subscription Shares”</b>	means the 73,540,911 Open Offer Shares representing 99.9 per cent. of the Open Offer Entitlements of the members of the Parkdev Group who have signed the Parkdev Group Irrevocable Undertaking and irrevocably undertaken not to take up some or all of their Open Offer Entitlements
<b>“Kingfisher Redditch Joint Venture”</b>	means the joint venture operated through a Luxembourg company, between representatives of the Group and the representatives of Oaktree Capital Management, through which the Group has invested in the Kingfisher Shopping Centre, Redditch
<b>“Kingfisher Shopping Centre”</b>	means the Kingfisher Shopping Centre, Redditch
<b>“Liquidity Facility”</b>	means the liquidity facility entered into by Mall Funding plc to ensure that its payment obligations to the holders of the Notes could be met
<b>“Listing Rules”</b>	means the listing rules of the UK Listing Authority made pursuant to Part VI of FSMA
<b>“London Stock Exchange”</b>	means the London Stock Exchange plc
<b>“LTIP”</b>	means The Capital & Regional plc 2008 Long Term Incentive Plan described in paragraph 14.3 of Part XVI ( <i>Additional Information</i> ) of this document
<b>“LTIP Group”</b>	means the Company and subsidiaries of the Company from time to time in which the Company owns more than 50 per cent. of the ordinary share capital
<b>“LTV”</b>	means loan to value
<b>“Mall Fund”</b>	means the specialist UK community shopping centre fund comprising the Mall Unit Trust and the Mall Limited Partnership
<b>“Mall Funding Loan”</b>	means the loan between, amongst others, the Mall Limited Partnership, Mall Funding plc, BNY Corporate Trustee Services Limited and the Bank of New York Mellon entered into pursuant to the terms of the loan agreement entered into on 5 May 2005
<b>“Mall Fund Manager”</b>	means the fund manager to the Mall Fund, currently Aviva Investors
<b>“Mall Fund Management Agreement”</b>	means the amended and restated fund management agreement entered into between the Mall Limited Partnership (acting by Mall General Partner) and Aviva Investors on 4 April 2013
<b>“Mall Fund Senior Facility”</b>	means the senior facility agreement entered into between Mall Limited Partnership and Morgan Stanley & Co. International plc, amongst others on 30 May 2014

<b>“Mall General Partner”</b>	means Mall (General Partner) Limited
<b>“Mall GP Acquisition Agreement”</b>	means the conditional acquisition agreement entered into between Capital & Regional GP and Aviva GP on 20 June 2014 in respect of certain shares in Mall General Partner
<b>“Mall GP Shareholders’ Agreement”</b>	means the shareholders’ agreement in relation to Mall General Partner dated 21 August 2009
<b>“Mall Limited Partnership”</b>	means the Mall Limited Partnership, a limited partnership established pursuant to the Limited Partnership Act 1907 with registered number LP7977
<b>“Mall Limited Partnership Deed”</b>	means the limited partnership deed in respect of the Mall Limited Partnership dated 31 August 2010, as thereafter amended
<b>“Mall Property Management Agreement”</b>	means the amended and restated property and asset management agreement entered into between the Mall Limited Partnership, Mall General Partner, the Capital & Regional Property Manager, Aviva Investors and Capital & Regional, amongst others, on 4 April 2013
<b>“Mall Property Manager”</b>	means the property manager to the Mall Fund, currently the Capital & Regional Property Manager
<b>“Mall Trustee”</b>	means BNP Paribas Jersey Trust Corporation Limited, as trustee of the Mall Unit Trust
<b>“Mall Trust Instrument”</b>	means the trust instrument constituting the Mall Unit Trust dated 9 March 2004, as thereafter amended
<b>“Mall Trust Manager”</b>	means the manager of the Mall Unit Trust, currently Aviva Investors Jersey Trust Corporation Limited
<b>“Mall Unit Trust”</b>	means the unit trust constituted by a trust instrument dated 9 March 2009, as amended, and known as The Mall Unit Trust
<b>“Minority Unitholders”</b>	means the Unitholders other than Capital & Regional Units, the Aviva Sellers and Karoo
<b>“Model Code”</b>	means the rules governing dealings by directors in the securities of a company as set out in the Annex to chapter 9 of the Listing Rules
<b>“Money Laundering Regulations”</b>	means the Money Laundering Regulations (2007) S.I. 2012/2157, as amended
<b>“New Ordinary Shares”</b>	means the new Ordinary Shares to be issued by the Company pursuant to the Capital Raising
<b>“Non-Executive Directors”</b>	means the non-executive directors of the Company from time to time, which at the date of this document are John Clare, Philip Newton, Louis Norval, Neno Haasbroek and Tony Hales
<b>“Notes”</b>	means the secured floating rate notes 2014 issued in connection with the CMBS
<b>“Notice of General Meeting”</b>	means the notice of general meeting of the Company which is set out at the end of this document
<b>“Numis”</b>	means Numis Securities Limited
<b>“Offer Price”</b>	means 47 pence per New Ordinary Share
<b>“Official List”</b>	means the official list maintained by the UK Listing Authority pursuant to Part VI of FSMA
<b>“Open Offer”</b>	means the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form

<b>“Open Offer Entitlements”</b>	means entitlements to subscribe for the Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer
<b>“Open Offer Shares”</b>	means the 280,810,699 New Ordinary Shares for which Qualifying Shareholders are being invited to apply, to be issued pursuant to the terms of the Open Offer (including, for the avoidance of doubt, the Karoo Subscription Shares)
<b>“Ordinary Shares”</b>	means ordinary shares of £0.01 each in the capital of the Company
<b>“Overseas Shareholders”</b>	means Shareholders with registered addresses outside the United Kingdom or who are incorporated in, registered in or otherwise citizens or residents of, or located in, countries outside the United Kingdom
<b>“Parkdev Group”</b>	means each of the Parkdev Parties, their respective holding companies and the subsidiaries and subsidiary undertakings of each Parkdev Party and each such holding company from time to time, and any other company or other legal entity (in any case wherever incorporated) of which a majority in number or nominal value of the issued shares is ultimately beneficially owned or controlled by either or both of Louis Norval (or any one or more of his associates) and Neno Haasbroek (or any one or more of his associates), and for these purposes “associate” shall have the meaning given in section 435 Insolvency Act 1986
<b>“Parkdev Group Irrevocable Undertaking”</b>	means the irrevocable undertaking dated 20 June 2014 from certain members of the Parkdev Group to the Company and the Bookrunners
<b>“Parkdev Parties”</b>	means until 26 April 2013, Parkdev International Asset Managers (PTY) Limited, Pinelake International Limited and Clearance Capital (Cayman) Limited and from 26 April 2013, PDI Investment Holdings Limited, Pinelake International Limited and Clearance Capital (Cayman) Limited and from 20 June 2014, PDI Investment Holdings Limited and Pinelake International Limited
<b>“Parties In Interest”</b>	has the meaning as defined in Section 1002(14) of ERISA
<b>“Performance Fee Deed of Waiver”</b>	means the deed dated 12 June 2014 under which, conditional upon Admission, Mall Property Manager waives certain rights with respect to the performance fee payable to it under the Mall Property Management Agreement
<b>“Placees”</b>	means any person who agrees to subscribe for Firm Placed Shares pursuant to the Firm Placing and/or Placing Shares pursuant to the Placing (other than Karoo in the case of Karoo Subscription Shares)
<b>“Placing”</b>	means: <ul style="list-style-type: none"> <li>(i) the conditional placing by the Bookrunners, as agents and on behalf of the Company of the Placing Shares (other than the Karoo Subscription Shares) at the Offer Price, subject to clawback in favour of Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer, on the terms and subject to the conditions contained in the Underwriting Agreement and the Placing Letters; and</li> <li>(ii) the placing by the Company of the Karoo Subscription Shares at the Offer Price on the terms and subject to the conditions contained in the Karoo Subscription Agreement</li> </ul>
<b>“Placing Letters”</b>	means the placing letters sent or to be sent to Placees by the Bookrunners and by which the Firm Placed Shares and/or the Placing Shares have been or are to be offered to Placees at the Offer Price, subject (in the case of the Placing Shares (other than



	the Karoo Subscription Shares) only) to a right of clawback in respect of any New Ordinary Shares that are taken up under the Open Offer
<b>“Placing Shares”</b>	means the 280,810,699 New Ordinary Shares conditionally available to be issued by the Company pursuant to the Placing
<b>“Plans”</b>	means (i) any employee benefit plan (as defined in section 3(3) of ERISA), that is subject to part 4 of Title I of ERISA, and (2) any plan to which section 4975(e)(1) of the Inland Revenue Code applies
<b>“Prospectus Directive”</b>	means Directive 2003/71/EC of the European Parliament and Council on the prospectus to be offered when transferable securities are offered to the public or admitted to trading and the trading on the London Stock Exchange, as amended
<b>“Prospectus Directive Regulation”</b>	means the Prospectus Directive Regulation (No. 2004/809/EC), as amended
<b>“Prospectus Rules”</b>	means the prospectus rules made by the UK Listing Authority pursuant to section 73A of FSMA
<b>“Qualifying CREST Shareholders”</b>	means Qualifying Shareholders holding Ordinary Shares in uncertificated form
<b>“Qualifying Non-CREST Shareholders”</b>	means Qualifying Shareholders holding Ordinary Shares in certificated form
<b>“Qualifying Shareholders”</b>	means holders of Ordinary Shares on the register of members of Capital & Regional at the Record Date with the exclusion of Excluded Shareholders
<b>“Re-admission”</b>	means the re-admission of the Existing Ordinary Shares to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Admission and Disclosure Standards
<b>“Receiving Agent”</b>	means Equiniti
<b>“Record Date”</b>	means 5.00 p.m. on 18 June 2014
<b>“Registrar”</b>	means Equiniti
<b>“Regulation S”</b>	means Regulation S promulgated under the Securities Act
<b>“REIT”</b>	means a real estate investment trust for the purposes of Part 12 of the Corporation Tax Act 2010
<b>“Related Party Directors”</b>	means Louis Norval and Neno Haasbroek
<b>“Related Party Resolutions”</b>	means Resolutions 2 and 3 set out in the Notice of General Meeting
<b>“Related Party Transactions”</b>	means the Karoo Acquisition Agreement, the Karoo Subscription Agreement and the Karoo Acquisition Settlement Letter
<b>“Relationship Agreement”</b>	means the relationship agreement dated 20 August 2009 between the Company, Parkdev International Assets Managers (PTY) Limited (who assigned its rights to PDI Investment Holdings Limited on 26 April 2013), Pinelake International Limited and Clearance Capital (Cayman) Limited, as amended on 26 April 2013 and 20 June 2014
<b>“Remuneration Committee”</b>	means the remuneration committee of the Company established by the Board
<b>“Resolutions”</b>	means the resolutions to be proposed at the General Meeting which are set out in the Notice of General Meeting

<b>“Regulatory Information Service”</b>	means a regulatory information service as defined in the Listing Rules
<b>“Risk Factors”</b>	means the risk factors set out on pages 20 to 32 of this document
<b>“SAYE Scheme”</b>	means The Capital & Regional plc 2008 SAYE Scheme described in paragraph 14.4 of Part XVI ( <i>Additional Information</i> ) of this document
<b>“SDLT”</b>	means Stamp Duty Land Tax
<b>“SDRT”</b>	means Stamp Duty Reserve Tax
<b>“Securities Act”</b>	means the US Securities Act of 1933, as amended
<b>“Shareholder”</b>	means a holder of Ordinary Shares
<b>“Snozone”</b>	means Snozone Holdings Limited
<b>“sterling” or “pounds sterling”</b>	means the lawful currency of the United Kingdom
<b>“subsidiary”</b>	has the meaning given in section 1159 of the Companies Act
<b>“subsidiary undertaking”</b>	has the meaning given in section 1162 of the Companies Act
<b>“Takeover Code”</b>	means the UK City Code on Takeovers and Mergers
<b>“Takeover Panel”</b>	means the Panel on Takeovers and Mergers
<b>“UK Corporate Governance Code”</b>	means the UK Corporate Governance Code as published by the Financial Reporting Council
<b>“UK” or “United Kingdom”</b>	means the United Kingdom of Great Britain and Northern Ireland
<b>“UK Listing Authority” or “UKLA”</b>	means the Financial Conduct Authority in its capacity as the competent authority for listing in the United Kingdom
<b>“uncertificated” or “in uncertificated form”</b>	means in relation to a share or other recorded security, a share or other security title which is recorded on the relevant register as being held in uncertificated form (that is in CREST) and title to which may be transferred by means of CREST
<b>“Underwriting Agreement”</b>	means the underwriting agreement dated 20 June 2014 between the Company and the Bookrunners, details of which are set out in paragraph 16 of Part XVI ( <i>Additional Information</i> ) of this document
<b>“United States” or “US”</b>	means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>“Unitholder”</b>	means a holder of Units
<b>“Units”</b>	means units in the Mall Unit Trust
<b>“US Person”</b>	has the meaning given in Regulation S
<b>“VAT”</b>	means Value Added Tax
<b>“VWAP”</b>	means volume weighted average price, the ratio of the value of a share traded to total value traded over a particular period
<b>“Waterside”</b>	means the Waterside Shopping Centre, Lincoln
<b>“Waterside Lincoln Limited Partnership”</b>	means the English limited partnership between representatives of the Group and representatives of Karoo, through which the Group has invested in the Waterside Shopping Centre, Lincoln
<b>“X-Leisure Fund”</b>	means the leisure park known as the X-Leisure Fund in relation to which the Group was previously a unitholder and held an interest in the manager of the fund
<b>“Xscape Braehead”</b>	means the leisure property in Glasgow known as “Xscape” in which the Group previously held an interest

## PART XVIII

### DOCUMENTS INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available for inspection in accordance with paragraph 27 of Part XVI (*Additional Information*) of this document, contains information which is relevant to the Capital Raising and the Acquisition:

<b>Document</b>	<b>Section</b>	<b>Page numbers in such documents</b>
Financial statements for the Group for the year ended 30 December 2011 and independent audit report thereon	Consolidated statement of comprehensive income	56
	Group balance sheet	57
	Consolidated statement of changes in equity	58
	Group cash flow statement	59
	Notes to the financial statements	60-109
	Independent auditors report	110-111
Financial statements for the Group for the year ended 30 December 2012 and independent audit report thereon	Consolidated statement of comprehensive income	51
	Group balance sheet	52
	Consolidated statement of changes in equity	53
	Group cash flow statement	54
	Notes to the financial statements	55-103
	Independent auditors report	104-105
Financial statements for the Group for the year ended 30 December 2013 and independent audit report thereon	Consolidated statement of comprehensive income	78
	Group balance sheet	79
	Consolidated statement of changes in equity	80
	Group cash flow statement	81
	Notes to the financial statements	82-124
	Independent auditors report	73-76

Copies of the documents which are incorporated by reference in this document are available as provided in paragraph 27 of Part XVI (*Additional Information*) of this document.

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. It should be noted that, except as set forth above, no other portion of the above documents is incorporated by reference into this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded for the purpose of this document shall not be deemed, except as so modified or superseded, to constitute a part of this document.

## NOTICE OF GENERAL MEETING

### CAPITAL & REGIONAL PLC

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Capital & Regional plc (the “**Company**”) will be held at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW on 9 July 2014 at 2.00 p.m. to consider and, if thought fit, to pass the following resolutions, which in the case of Resolutions 1, 2, 3, 4 and 5 will be proposed as ordinary resolutions and in the case of Resolution 6 will be proposed as a special resolution.

#### Ordinary Resolutions

1. **THAT** subject to and conditional upon the passing of Resolutions 2, 3, 4, 5 and 6:

- 1.1 the proposed acquisition by Capital & Regional (Europe Holding 5) Limited (“**Capital & Regional Europe Holdings**”), a subsidiary undertaking of the Company, of 490,300,237 units in the Mall Unit Trust (as defined in the combined prospectus and circular to shareholders of the Company dated 23 June 2014 of which this notice forms part (the “**Prospectus**”)) on the terms and subject to the conditions of a conditional sale and purchase agreement dated 20 June 2014 between Capital & Regional Europe Holdings and the Aviva Sellers (as defined in the Prospectus);
- 1.2 the proposed acquisition by Capital & Regional Europe Holdings of 99,069,410 units in the Mall Unit Trust (as defined in the Prospectus) on the terms and subject to the conditions of a conditional sale and purchase agreement dated 20 June 2014 (the “**Karoo Acquisition Agreement**”) between Capital & Regional Europe Holdings and The Karoo Investment Fund S.C.A. SICAV-SIF; and
- 1.3 the proposed acquisition by Capital & Regional GP (as defined in the Prospectus) of 50 per cent. of the issued share capital of Mall (General Partner) Limited on the terms and subject to the conditions of a share purchase agreement between Capital & Regional GP and Norwich Union (Shareholder GP) Limited dated 20 June 2014,

(together the “**Transaction Documents**”), each as described in the Prospectus, be and are hereby approved and that each and any of the directors of the Company (or a duly authorised committee of the directors of the Company) be and are hereby authorised to conclude and implement (or permit Capital & Regional Europe Holdings or Capital & Regional GP to conclude and implement, as the case may be) the arrangements contemplated by each Transaction Document in accordance with its terms and conditions and to make such non-material amendments, modifications, variations, waivers and extensions of any of the terms of any Transaction Document and of any documents and arrangements connected with any of them as he in his absolute discretion thinks necessary or desirable.

2. **THAT** subject to and conditional upon the passing of Resolutions 1, 3, 4, 5 and 6, the proposed acquisition by Capital & Regional (Europe Holding 5) Limited (“**Capital & Regional Europe Holdings**”) of 99,069,410 units in the Mall Unit Trust (as defined in the combined prospectus and circular to shareholders of the Company dated 23 June 2014 of which this notice forms part (the “**Prospectus**”)) from Karoo (as defined in the Prospectus) on the terms and subject to the conditions of the Karoo Acquisition Agreement (as defined in the Prospectus), be and is hereby approved for the purposes of Chapter 11 of the Listing Rules of the United Kingdom Listing Authority and that each and any of the directors of the Company (or a duly authorised committee of the directors of the Company) be and are hereby authorised to conclude and implement (or permit Capital & Regional Europe Holdings to conclude and implement, as the case may be) that agreement in accordance with its terms and conditions and to make such non-material amendments, modifications, variations, waivers and extensions of any of the terms of that agreement and of any documents and arrangements connected with that agreement as he in his absolute discretion thinks necessary or desirable.
3. **THAT** subject to and conditional upon the passing of Resolutions 1, 2, 4, 5 and 6, the proposed participation by Karoo (as defined in the combined prospectus and circular to shareholders of the Company dated 23 June 2014 of which this notice forms part (the “**Prospectus**”)) in the Karoo Subscription (as defined in the Prospectus), and entry into the Karoo Subscription Agreement and the Karoo Acquisition Settlement Letter (both as defined in the Prospectus) be and is hereby approved for the purposes of Chapter 11 of the Listing

Rules of the United Kingdom Listing Authority and that each and any of the directors of the Company (or a duly authorised committee of the directors of the Company) be and are hereby authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Karoo Subscription with Karoo and Karoo's entry into the Karoo Subscription Agreement and the Karoo Acquisition Settlement Letter.

4. **THAT** subject to and conditional upon the passing of Resolutions 1, 2, 3, 5 and 6, the proposed acquisition by Capital & Regional (Europe Holding 5) Limited of 99,069,410 units in the Mall Unit Trust (as defined in the combined prospectus and circular to shareholders of the Company dated 23 June 2014 of which this notice forms part (the "**Prospectus**")) from Karoo (as defined in the Prospectus), being a company connected with each of Louis Norval and Neno Haasbroek, directors of the Company, on the terms and subject to the conditions of the Karoo Acquisition Agreement (as defined in the Prospectus), be and is hereby approved for the purposes of section 190 of the Companies Act 2006.
5. **THAT** subject to and conditional upon the passing of Resolutions 1, 2, 3, 4 and 6, and in addition and without prejudice to any existing authorities conferred upon the directors of the Company, the directors of the Company be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all or any of the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company in connection with the Capital Raising (as defined in the combined prospectus and circular to shareholders of the Company dated 23 June 2014 of which this notice forms part) up to an aggregate nominal amount of £3,510,638.30 provided that each authority shall expire (unless previously renewed, varied or revoked) at the earliest to occur of conclusion of the next annual general meeting of the Company after the date on which this resolution is passed or the date 15 months after the date of passing of this resolution, save that the Company may, before such expiry, revocation or variation, make an offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation and the directors of the Company may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired or been revoked or varied.

#### **Special Resolution**

6. **THAT** subject to and conditional upon the passing of Resolutions 1, 2, 3, 4 and 5, and in addition and without prejudice to any existing and unexercised powers, the directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of the Companies Act 2006) of the Company for cash pursuant to the authority conferred by Resolution 5 above, as if section 561 of the Companies Act 2006 did not apply to any such allotment, provided that such power shall be limited to the allotment of up to 351,063,830 Ordinary Shares pursuant to or in connection with the Capital Raising (as defined in the combined prospectus and circular to shareholders of the Company dated 23 June 2014 of which this notice forms part), provided that this power shall expire (unless previously renewed, varied or revoked) at the earliest to occur of the conclusion of the next annual general meeting of the Company after the date on which this resolution is passed or the date 15 months after the date of passing of this resolution.

23 June 2014

By order of the Board  
Stuart Wetherly  
Company Secretary

Registered Office  
52 Grosvenor Gardens  
London  
SW1W 0AU  
Incorporated in England and Wales with Registered Number 01399411



## Important information about the General Meeting

### 1. General

This is the formal notice (“**Notice**”) to holders of ordinary shares in the capital of the Company (“**Ordinary Shares**”) (the “**Ordinary Shareholders**”) of the general meeting of the Company to be held at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW at 2.00 p.m. on 9 July 2014, or any adjournment thereof, to consider and, if thought fit, to approve the resolutions set out in this Notice (the “**Resolutions**”) (the “**General Meeting**”) and gives you information as to the date, time and place and the business to be considered at the meeting. If there is anything you do not understand, please talk to an appropriate professional adviser.

### 2. What to do if you have recently sold or transferred all your Capital & Regional plc Ordinary Shares

Please send this document but not the personalised form of proxy which accompanies the Prospectus (the “**Form of Proxy**”) to the person to whom you sold the shares or the person who sold the shares for you (to send to the new owner of the shares). To have the right to come and vote at the General Meeting, you must hold shares in the Company and your shareholding must be entered on the register of members by 6.00 p.m. on 7 July 2014 or, in the event of any adjournment, not later than 6.00 p.m. two days prior to the adjourned meeting.

### 3. What to do if you have recently acquired your Capital & Regional plc Ordinary Shares and have received this document from the transferor.

Please contact the company’s registrar Equiniti Limited (“**Equiniti**” or the “**Company’s Registrar**”) on 0871 384 2959 (or +44 121 415 0270 from outside of the UK) for voting instructions and a Form of Proxy. Calls cost eight pence per minute excluding VAT plus network extras if calling from within the UK.

#### Notes:

1. An Ordinary Shareholder who is unable or does not wish to attend the General Meeting but who is entitled to attend, speak and vote at the General Meeting is entitled to appoint a proxy to exercise all or any of his/ her rights to attend and to speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company but must attend the meeting to represent you. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a Form of Proxy, or if you require additional forms, please contact the Company’s Registrar, Equiniti Limited, on 0871 384 2959 (from within the UK) or +44 121 415 0270 (from outside of the UK). Calls to this number cost eight pence per minute excluding VAT plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday, excluding UK public holidays. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy.
2. An Ordinary Shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of the Ordinary Shareholder provided that each proxy is appointed in respect of a different share or shares held by that Ordinary Shareholder. If you wish to do so, please contact the Company’s Registrar in accordance with the instructions in Note 1 above.
3. To be effective, the Form of Proxy must be lodged at the offices of Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by 2.00 p.m. on 7 July 2014 or not later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same date as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
4. In the case of an Ordinary Shareholder who is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
5. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
7. The return of a completed Form of Proxy, other such instrument or any CREST Proxy Instruction (as described below) will not prevent an Ordinary Shareholder from attending the General Meeting and voting in person if he/she wishes to do so.
8. Ordinary Shareholders can register the appointment of a proxy or voting instructions for the meeting by logging onto [www.sharevote.co.uk](http://www.sharevote.co.uk). Ordinary Shareholders need to use a 25-digit number made up of their Voting ID, Task ID and Shareholder Reference Number printed on their Form of Proxy. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by Equiniti not later than 48 hours before the time appointed for the meeting. Please note that any electronic communications sent to the Company’s Registrar that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the General Meeting is governed by Equiniti’s conditions of use set out on the website, [www.sharevote.co.uk](http://www.sharevote.co.uk), and may be read by logging onto the site.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (as defined in the Prospectus) which can be viewed at [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be



transmitted so as to be received by Equiniti (Issuers Agent ID RA19) not later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti (Issuers Agent ID RA19) is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and where applicable their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
13. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
14. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is not able to decide which proxy was received last, it may decide at its discretion which proxy appointment (if any) is to be treated as valid.
15. An Ordinary Shareholder wishing to vote in person on the Resolutions should attend the meeting at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW on 9 July 2014 at 2.00 p.m. in order to do so. An Ordinary Shareholder attending the meeting in person, should bring their admission card to avoid delay at registration.
16. Any person to whom this Notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the Ordinary Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Ordinary Shareholder as to the exercise of voting rights.
17. The statement of the rights of Ordinary Shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Ordinary Shareholders.
18. Only those Shareholders entered on the register of members of the Company at 6.00 p.m. on 7 July 2014 or, in the event that the meeting is adjourned, on the register of members not later than 6.00 p.m. on the date two days before the date fixed for the adjourned meeting, shall be entitled to attend and vote at the relevant meeting in respect of the number of Ordinary Shares registered in their names at any time. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
19. As at 20 June 2014, the Company's issued share capital consists of 349,688,796 Ordinary Shares, carrying one vote each and 71,348,933 Deferred Shares. Therefore the total number of voting rights in the Company as at 20 June 2014 is 349,688,796. The Company does not hold any shares in treasury.
20. Any corporation which is an Ordinary Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not vote in relation to the same Ordinary Shares.
21. The outcome of the voting on the Resolutions will be announced via a Regulatory News Service and made available at [www.capreg.com](http://www.capreg.com) as soon as practicable after the General Meeting.
22. You may not use any electronic address provided either in this Notice or any related documents (including the Proxy) to communicate with the Company for any purposes other than those expressly stated.
23. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
24. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website [www.capreg.com](http://www.capreg.com).

