at the Heart of
the Community

Capital & Regional

Capital & Regional plc
Annual Report and Accounts
for the year ended 30 December 2013
Stock Code: CAL

Capital & Regional

About us

Capital & Regional is a specialist retail property company with a track record of managing assets and developing asset management opportunities. We apply our dedicated asset and property management teams to create enhanced returns for our shareholders and co-investors in the joint ventures we manage.

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C&R at the Heart of the Community

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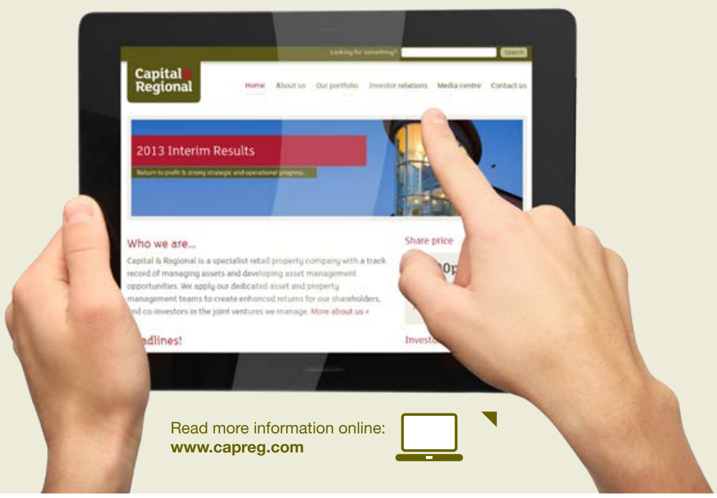

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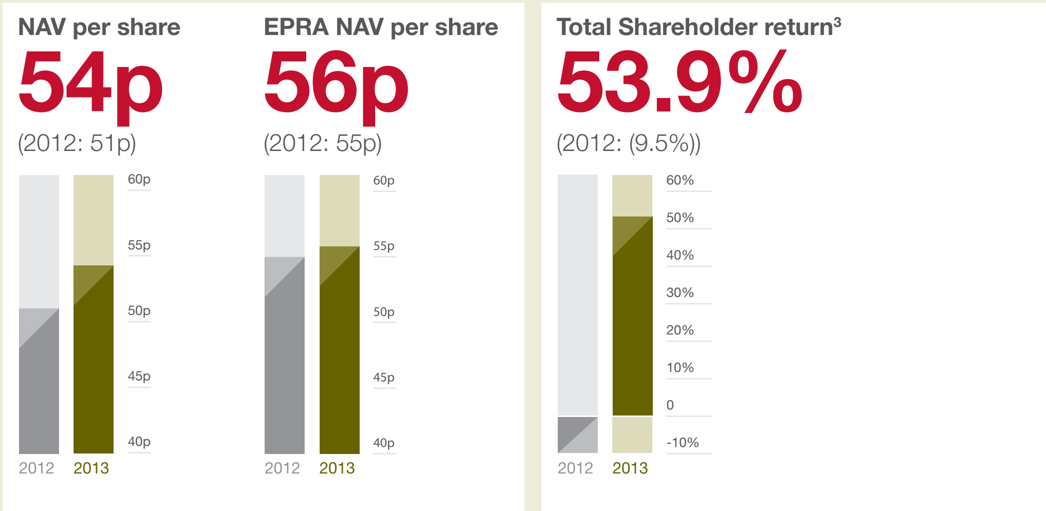
Highlights



Highlights

Progress in execution of strategy

- Purchase of Mall Fund units during 2013, increasing Group's share from 20.15% to 29.26%
- Successful disposals of Jarman Fields, Hemel Hempstead (£8.5 million) and the Great Northern Warehouse in Manchester (£71.1 million), both non-core Leisure assets
- Sales completed of The Pavilions, Uxbridge and the Gracechurch Centre, Sutton Coldfield by The Mall Fund, reducing its 30 December 2013 LTV to 55% and thereby increasing options for CMBS refinancing

Operational

- Combination of active asset management programme and attractive and affordable space led to:
  - 56 new lettings, adding revenue of £5.0 million; and
  - 31 lease renewals adding £1.5 million, at a combined 0.7% above ERV
- Strong retail occupancy across our UK shopping centres at 96.3% at 30 December 2013
- Footfall outperformed national benchmark by 1.2%
- Ongoing progress with redevelopment initiatives:
  - Lincoln — phase two of £9 million redevelopment on schedule with 65% of redevelopment space by value already let
  - Redditch — Hub leisure concept well advanced with new gym open for trade

Financial

- Return to profitability with profit before tax of £9.3 million (2012: loss of £12.7 million)
- Recurring pre-tax profit[2] of £14.0 million (2012: £17.0 million) reflecting impact of disposals
- Increase in NAV and EPRA NAV per share to 54p and 56p (2012: 51p and 55p, respectively)
- Repayment of Group's on-balance sheet debt. Proforma see-through net debt[1] to property value fell to 52% compared to 55% at 2012 year end
- Refinancing of €141 million of German debt completed with a new three year facility
- Resumption of dividend payments with total 2013 dividend of 0.65p per share

Future priorities

- Deliver value from agreed £40 million asset management programme across core portfolio of eight UK shopping centres
- Accelerate realisation of value from the German portfolio and further disposals of other non-core assets to create shareholder value by strengthening our core UK Shopping Centre business
- Conclude refinancing of The Mall Fund CMBS, for which detailed negotiations are ongoing with a number of interested parties

	2013	2012
Total shareholder return[3]	**53.9%**	(9.5)%
Recurring pre-tax profit[2]	**£14.0m**	£17.0m
Profit/(loss) before tax	**£9.3m**	£(12.7)m
NAV per share	**54p**	51p
EPRA NAV per share	**56p**	55p
Proforma Group net debt[1]	**–**	13%
Proforma see through net debt[1]	**52%**	55%

1 2013 adjusted for £8.4 million Hemel Hempstead net proceeds received in February 2014, 2012 adjusted for £30.6 million X-Leisure proceeds received in January 2013.
2 As defined in Note 1 to the financial statements.
3 Change in share price plus dividends paid in the year.

Commenting on the results, John Clare, Chairman, said:

"During the course of the year, the Group continued to make significant progress in the execution of its strategy and I am pleased to report that this was reflected by a 6% increase in NAV 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. With a much strengthened financial position, we will now be focusing our financial resources and management skills on investing in and actively managing a portfolio of dominant UK community shopping centres, building on our proven track record of recycling capital to consolidate our position as a leading UK retail property company."

Hugh Scott-Barrett, Chief Executive, added:

"We are now seeing a clear uptick in economic conditions which, in turn, has had a positive impact on retailer and consumer confidence. These factors, combined with a much improved investment market, are providing a very supportive background for our UK shopping centre business. We have benefited from an active programme of asset management during the year, which has enhanced our operating performance and valuations towards the end of 2013. We expect this trend to continue in 2014 and therefore look forward to making further progress in our drive to grow the Company and enhance value for investors."

Chairman's Statement

"During the course of the year, the Group continued to make significant progress in the execution of its strategy and I am pleased to report that this was reflected by a 6% increase in NAV 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."

For more information on our properties
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John Clare
Chairman

Strategy

The Group's strategy is to focus its financial resources and management skills on investing in and actively managing a portfolio of dominant community shopping centres in the UK. The Group intends to build on its proven track record of recycling capital from non-core assets to strengthen its position as a leading UK retail property investment company.

Performance Overview

I am pleased to report an increase in Net Asset Value per share of 6% to 54p and a pre-tax profit of £9.3 million compared to a prior year loss of £12.7 million. The Group has also reported recurring profits of £14.0 million compared to £17.0 million in 2012. This is a robust performance in light of the sale of The Junction and X-Leisure businesses, which contributed recurring pre-tax profits of £2.7 million in 2012, and the loss of income resulting from the sale of three Mall assets in 2012 and 2013.

The performance is all the more encouraging as the operating environment remained challenging, with property values remaining flat or falling modestly across the shopping centre business, for much of the year.

In the fourth quarter of 2013, however, we saw a noticeable pick-up in investment market activity with property valuations in The Mall rising by 1%. This is a positive sign for our property values when combined with improving economic conditions and the resulting impact on consumer sentiment.

During the course of the year, the Group also made further significant progress in the execution of its strategy. The completion of the sale of the Great Northern Warehouse in Manchester for a headline price of £71.1 million and the agreement to sell Jarman Fields, Hemel Hempstead for £8.5 million enabled the Group to recycle the proceeds of these non-core leisure assets to increase its stake in The Mall in 2013 from 20.15% to 29.26%. The £29.3 million investment was made at an overall discount of 5% to year-end values. UK shopping centre activities in general and the Mall Fund in particular now form the core of our business.

Dividend

Our dividend policy links future payments to the Group's cash generating ability. In view of the Group's significantly improved financial position and in anticipation of The Mall's ability to recommence distributions, the Board took the decision to resume dividend payments after five years and pay an interim dividend of 0.25p per share. The Board is now recommending a second interim dividend of 0.40p per share making a total dividend of 0.65p per share for 2013. The Board expects to be able to adopt a progressive approach to dividend payments as its ability to generate cash further improves.

Responsible Business

The Group attaches great importance to maintaining its commitment to responsible business as it believes that by reducing the impact we have on the environment, supporting our employees and serving the communities around us, we contribute to building a stronger and more successful company.

At the beginning of the year, a number of key objectives across The Market Place, The Environment and The Workplace were identified, each with target key performance indicators. In a year of notable achievements, the Group's retention of the ROSPA Gold Award status for a seventh consecutive year and the Mall Fund's rating as number one in the UK for retail in the Global Real Estate Sustainability Benchmark stand out. Targets for reduction in energy, have again

been exceeded. Our shopping centres are now using at least 35% less energy than five years ago, saving over £1.2 million in energy costs over that time.

Further details are set out in the Responsible Business review in the financial statements.

Our People

Improving the customer experience and making the retail environment attractive are key ingredients in attracting retailers to the Group's shopping centres thereby boosting footfall and spend. Our management teams' constant focus on operational excellence and adopting an entrepreneurial approach towards asset management and development is one of the Group's key differentiators and I would like to thank all our teams for their efforts in delivering these objectives. This management platform remains critical to the creation of value for our shareholders.

The Board

I would like to thank Xavier Pullen, who stepped down from the Board as an Executive Director after 35 years, for his very significant contribution to the success of the Group. I am pleased that he will continue to assist the Group in the execution of its strategy for Germany as a senior adviser. At the same time, I would like to congratulate Mark Bourgeois on his promotion to the Board as an Executive Director. With his operational and strategic retail property experience, combined with his extensive market knowledge and understanding of advancing technology, Mark will undoubtedly make an important contribution to the Board's discussions.

We look forward to further progress in 2014.

John Clare CBE
Chairman

Chief Executive's Statement

"We are now seeing a clear uptick in economic conditions which, in turn, has had a positive impact on retailer and consumer confidence. These factors, combined with a much improved investment market, are providing a very supportive background for our UK shopping centre business."

For more information on our properties
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Hugh Scott-Barrett
Chief Executive

Strategy

The Group made further significant progress in 2013 in focusing Capital & Regional on its core UK shopping centres. Following the sales of The Junction, X-Leisure and Braehead in 2012, the sales of Great Northern and Hemel Hempstead were respectively completed and agreed in 2013 with the result that we were able to recycle the cash from these disposals into the acquisition of Mall units at an attractive point in the investment cycle. Adjusted for the sale of Hemel Hempstead which completed after the year-end, UK shopping centres and available cash account for 75% of the Net Asset Value of Capital & Regional compared to 47% at the beginning of 2012.

Moving forward our core objective is to increase the focus on UK shopping centres with the intention to continue to realise value over time from our retail portfolio in Germany. We will take advantage of any opportunities to increase further our stake in the Mall which remains at the centre of our strategy for UK shopping centres. The anticipated refinancing of the CMBS later this year will provide a sound platform from which to execute our asset management plans.

Our portfolio of eight UK shopping centres offers a range of investment opportunities from incremental asset management initiatives in Redditch and Lincoln to more significant development opportunities in Camberley, Maidstone and Walthamstow. We are convinced that by continuing to invest in these schemes, we can enhance their attractiveness to retailers and their relevance to consumers thereby ensuring we can create attractive returns for shareholders.

Whilst each of the shopping centres requires significant focus to execute these plans, in the longer term the current management platform has the capacity and expertise to support a larger portfolio of shopping centres which share similar characteristics. Additional critical mass will create further economies of scale and be supportive of enhanced returns for shareholders.

Operations

We have seen a steady improvement in operating conditions in our UK shopping centres as the year progressed. Following a number of administrations in the first half of the year (20 units representing £1.4 million of income), occupancy levels increased as administrations slowed and key lettings were secured. As at 30 December 2013, retail occupancy across our UK shopping centres stood at 96.3% compared to 95.4% at 30 June 2013. Underlying income, as measured by contracted rent, also stabilised in the second half of the year. As at 30 December 2013 there was £1.1 million more rent attributable to tenants in a rent free period than there was at 30 December 2012. As these rent free periods expire the passing rent will increase accordingly.

Footfall across our shopping centres continues to out-perform the national benchmarks. For the year, footfall fell by 2.5% compared to 3.7% for the sector as a whole and the level of out-performance increased as the year ended. Successful marketing campaigns saw strong footfall over Christmas, a trend which has continued into 2014, with both an absolute increase and out-performance of the national benchmark in the year to date.

75%

UK Shopping Centres and available cash as proportion of Group NAV[1]

1 December 2013 adjusted for sale of Hemel Hempstead)

Asset Management

The improvement in the operating environment has lagged the pick-up in investment market activity and retailers have therefore continued to be well placed to negotiate competitive terms for new space and lease renewals. There are, however, a number of trends which bode well for retailer demand across the Group's shopping centres:

a) It is encouraging to see that where the Group is investing, such as the reconfiguration at Waterside, Lincoln, or the creation of a leisure hub at Redditch, occupiers are keen to take space on accretive terms. The planned refurbishments at Walthamstow and Maidstone are expected to generate a similar response from retailers. The Group's track record in the successful delivery of these asset management initiatives, on budget and on time, is critical to securing retailer support.

b) Success with the asset management initiatives at Lincoln and Redditch confirms that there is still untapped demand from fashion and leisure operators which is crucial to increasing occupancy levels.

c) The Group is able to respond to the multi-channel strategies presented by our retailers through consolidation of smaller units to create larger space. Examples are River Island at Luton, H&M and Next at Lincoln and TK Maxx at Camberley. We see these larger stores as particularly relevant to growing click and collect trends.

d) In the absence of a significant flow of quality new space across the UK, successful retailers are looking to expand their presence in schemes where they already have an established and profitable presence. Examples include Sports Direct in Walthamstow, Costa Coffee in Redditch and New Look in Lincoln.

e) Our ability to grow income from car parks, promotional activity, retail merchandising units ("RMU's"), media and web activity is underpinned by the fully integrated management platform operated across our shopping centre activities.

Active asset management was also critical to facilitating the disposals during the year of Sutton Coldfield, Great Northern and a well-executed and complex development at Hemel Hempstead. This was vital in driving sale price and underpinning the disposal process.

Germany

In our German portfolio we have continued to concentrate on extending the length and quality of income stream to support valuations and maintain the marketability of the portfolio to the institutional investment market. Our assets are managed by Garigal Asset Management, a German retail specialist asset manager in which the Group holds a 30% interest. Garigal has identified a number of asset management initiatives; opportunities either to negotiate early lease extensions with key anchor tenants or delivery and reconfiguration of additional retail space. During 2013 we successfully increased the weighted average lease length by 0.3 years to 8.1 years (2012: 7.8 years).

96.3%

Retail occupancy in UK Shopping Centres

Chief Executive's Statement

Financial Position

De-gearing of the Group's balance sheet has been a key strategic objective in recent years and our progress in this regard during 2013 was of paramount strategic importance to the Group.

As a result of the disposals completed during the year, there was no on balance sheet debt at the year end, whilst see-through net debt to property value, adjusted for the sale of Jarman Fields, Hemel Hempstead, which completed in February 2014, fell from 55% to 52%.

The sale of Great Northern Warehouse in October 2013 resulted in the repayment of a £57.6 million debt facility. This facility had full recourse to the Group's balance sheet and its repayment considerably increased the Group's financial strength and flexibility. As at 30 December 2013, the Group had a net cash position of £11.1 million, increasing to £19.5 million adjusted for the sale of Hemel Hempstead that completed in February 2014. The Group's £25 million Revolving Credit Facility which matures in July 2016 remains undrawn.

The debt repayment of £168 million by the Mall following the sales of the shopping centres at Sutton Coldfield and Uxbridge reduced outstanding debt from £547.5 million to £379.5 million. Gross gearing therefore fell to below 60%, allowing the recommencement of distributions. As at the end of 2013, gross debt to property value stood at 55% whilst net debt to property value was at 46% meaning the Fund is now in a strong position to take advantage of the more favourable conditions in the banking market in preparation for the refinancing of the CMBS which matures in April 2015.

The German Joint Venture has signed a three-year €141 million financing which supports three of its portfolios, representing 49% of the total German portfolio and covering 12 properties.

The terms of the refinancing are, we believe, very attractive with an all in cost below 3%. That the market is prepared to fund these assets on very competitive terms at LTVs above 70% is a vote of confidence in this business.

Outlook

Improving economic conditions provide a very supportive background for our UK shopping centre business. In particular, rising employment and the potential for real growth in average earnings should provide a boost to consumer sentiment. Footfall through our schemes in the first two months of 2014 shows an absolute increase and outperformance against the relevant index. Whilst the strengthening investment markets have been well documented, it is the improvement in the underlying economy that is the necessary pre-condition for increased retailer confidence, higher occupancy and higher rental income. The significant fall in the level of administrations in 2014 to date compared to recent years also provides a helpful backdrop for letting activity in the rest of the year. Furthermore we have begun to see that the hard work undertaken by our specialist asset management teams has enhanced operating performance and valuations towards the end of 2013 and we expect this trend to continue in 2014.

Recycling of capital remains an important priority. Following on from the sale of the property at Taufkirchen in May 2013 for €6.3 million and exchange on the sale of the vacant Kreuztal property post year end for €1.3 million, in line with and ahead of valuation respectively, we intend to accelerate the realisation of value from the portfolio in 2014. We are currently in advanced talks to dispose of one large property and intend to bring a further tranche of assets to market during the year. Proceeds will be used to reinvest in our UK shopping centre business.

We expect the Mall to refinance its CMBS by the time we announce our interim results. The current attractive conditions in the banking market should ensure that the Fund which has successfully reduced gearing through a targeted programme of disposals can achieve competitive terms having received strong interest from debt providers in the discussions that have taken place to date. This should, in turn, ensure a stable background for the implementation of the asset management programme and that the Mall remains at the heart of our growth strategy for our shopping centre business.

We look forward to making continuing progress in our drive to grow the Company and enhance value for investors in 2014.

Hugh Scott-Barrett
Chief Executive

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Overview of Strategic Report

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Financial review	A summary of financial performance, including a review of investment returns, Group debt (on and off balance sheet), Financing Strategy and Dividend policy.	24–30
Responsible Business Review	This provides details of our performance against our objectives in 2013 and our targets for 2014 across the key areas of our marketplace, the environment, our work place an the wider community	31–39
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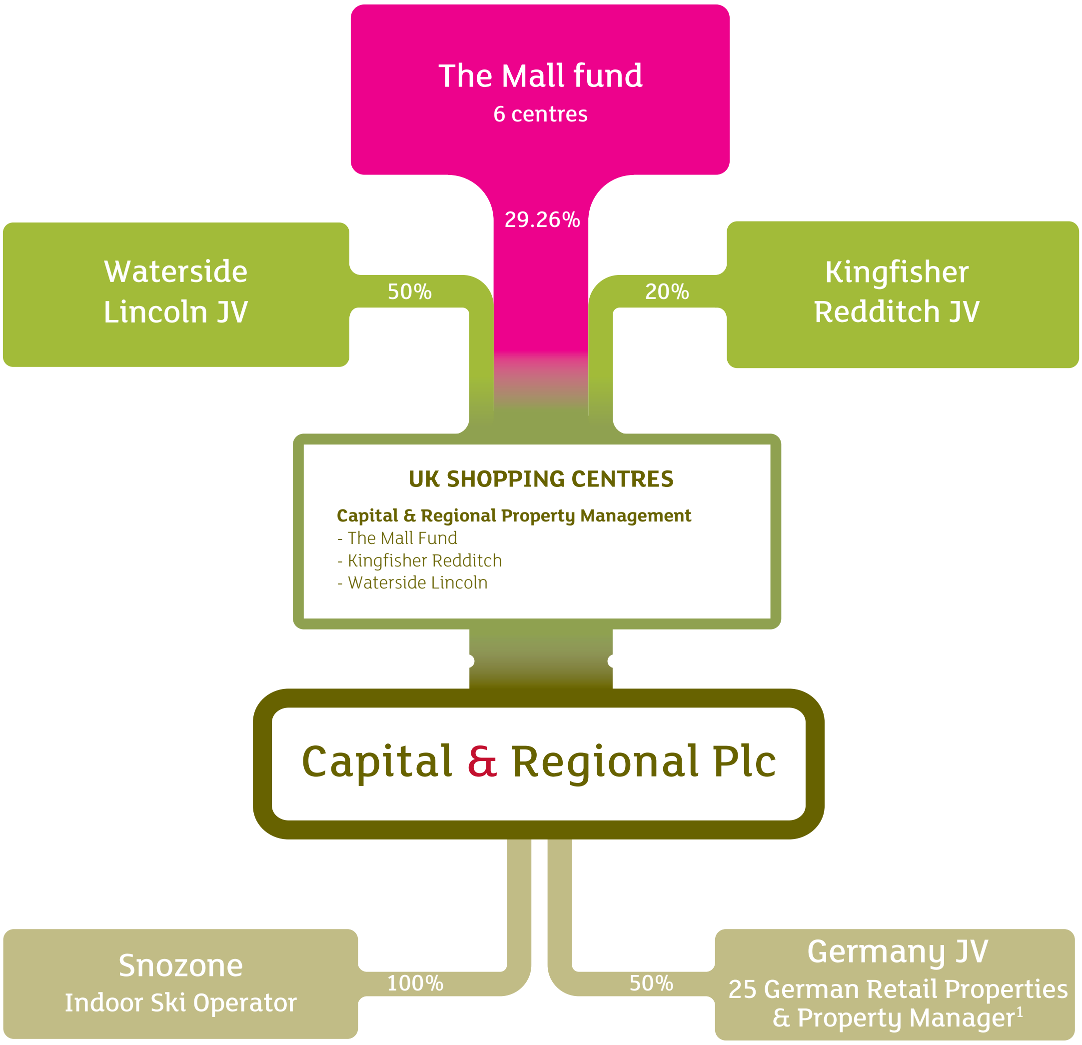
Group at a Glance

Group at a Glance



1 Group ownership of Garigal Asset Management GmbH, the German asset and property manager, is 30%.

£851m
UK Shopping Centres valuation at 30 December 2013 (100%)

UK Shopping Centres (100%)

	30 December 2013
Number of properties	8
Property value at independent valuation	£851m
Passing rent	£67.0m
Initial yield	6.8%
Property level return	5.0%
Retail occupancy	96.3%
Loan to value ratio	56%
Net debt to value ratio	47%

€404m
German property valuation at 30 December 2013 (100%)

Germany (100%)

	30 December 2013
Number of properties	25
Property value at independent valuation	€404.0m
Contracted rent	€31.0m
Initial yield	6.8%
Property level return	4.1%
Occupancy (like for like)	97.5%
Loan to value ratio	72%
Net debt to value ratio	69%
C&R share	49.6%

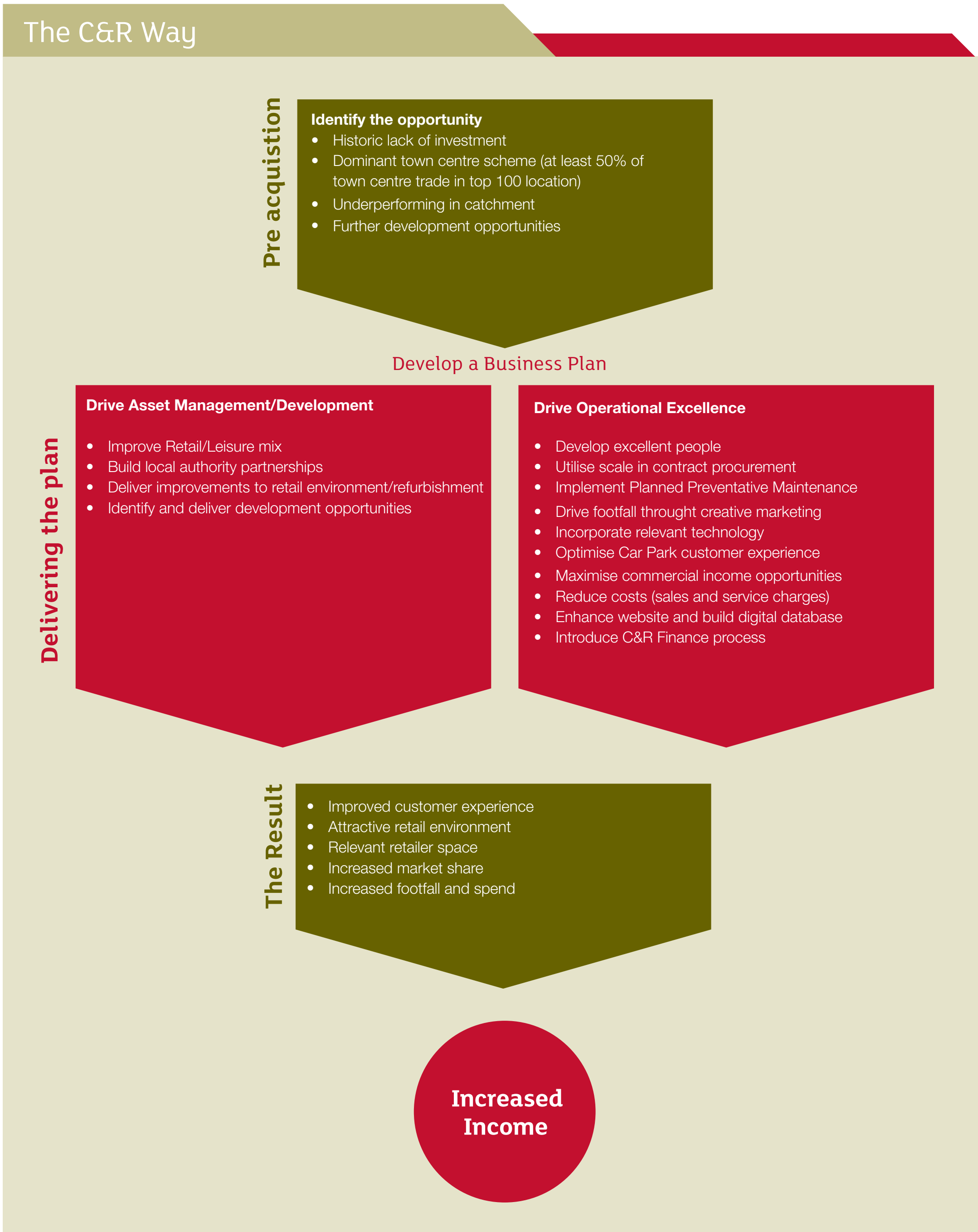
Snozone

The Group owns 100% of Snozone, which is the largest indoor ski slope operator in the UK. Snozone operates in the two Xscapes at Milton Keynes and Castleford which are owned by the X-Leisure Fund.

Business Overview and Model

Business overview

Our core strength is owning and managing UK dominant community shopping centres. The C&R team has extensive experience in profitably repositioning malls, applying our proven asset management expertise to maximise value throughout the investment life-cycle of the asset. The team has bought and sold over 25 centres over the past 10 years building up unparalleled experience in that time. Our approach to identifying and adding value to a scheme is illustrated as follows:

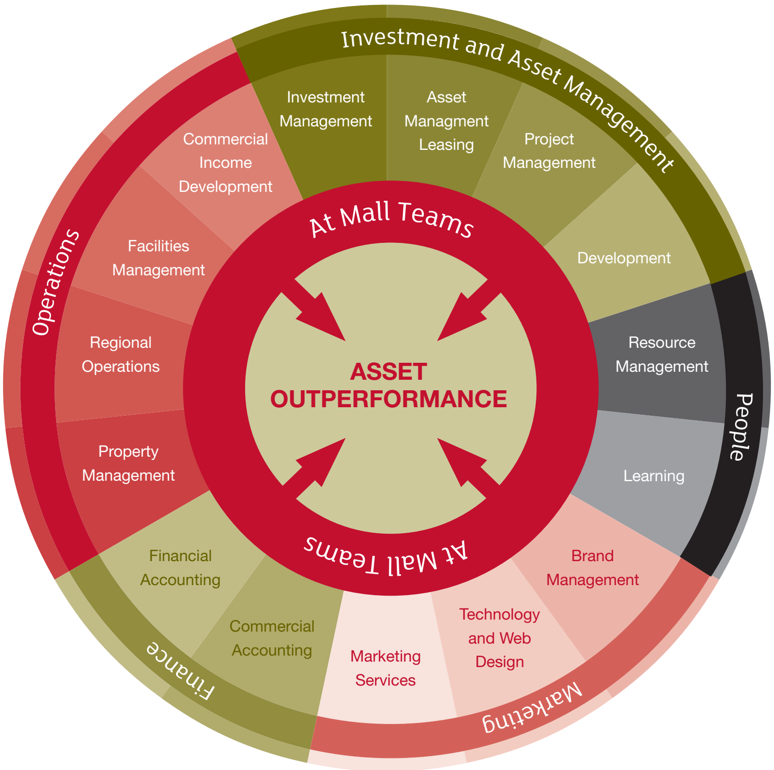


Our Team and approach

The elements which help to differentiate our management platform include:

- A unique in-house platform combining property and asset management driving market leading operating standards (see illustration below)
- A track record of delivering profitable complex asset management initiatives
- Excellent relationships with our retailers. We think like retailers, creating environments appealing to occupiers, assisting them in delivering sustained profits and an outstanding shopping experience for the communities which we serve
- We have been at the forefront of the sector in capitalising on the opportunities arising from technological change. The Mall website was the first UK branded website covering a portfolio of shopping centres. All malls have free Wi-Fi, a click & collect service and smartphone apps
- We drive income from many sources, including advertising, promotional space, retail merchandising units, digital commerce, gifts cards and telecoms.
- Through targeted marketing we continually engage with our shoppers, encouraging repeat visits and higher spend
- A track record of leveraging portfolio scale to drive down cost of occupation whilst delivering high quality mall facilities. Mall service charges are on average 19% below the JLL benchmark
- We have developed market leading processes that minimise our impact on the environment though reduction in energy consumption, waste and water usage. We have a track record of strong results, for instance, over the past five years, we have reduced like for like energy consumption in excess of 35%.

The repositioning of a shopping centre requires a range of skills and experience. Our people apply those skills as illustrated below:



Our Marketplace

The UK retail industry is a growing £321 billion market, employing 3 million people representing approximately 20% of UK GDP[1]. It is a dynamic industry reacting to and shaping consumer behaviours particularly in response to technological advances. Retail expenditure is forecast to grow by 16.5% over the next five years[2], twice the rate of the previous five years, being principally driven by population growth, higher employment and an improving economy. Over half of retail expenditure is made in town and there is a public policy agenda 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. That trend has tended to benefit shopping centres with well managed and controlled environments, in contrast to the fragmented high streets, which have borne the brunt of the retail fallout. Indeed, shopping centre occupancy has held firm against this backdrop of retail failures. That is because strong retailers have continued to expand. CBRE note that those with a national presence have increased store numbers by a cumulative 10% over the past five years, and with improving demand for leisure space, leisure outlets have increased by 41% in the same period.

As retailers evolve in a multichannel environment, our 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, those retail centres providing convenient, accessible and attractive destinations will thrive. The managed shopping centre environment, dominant in its location, delivers the ideal platform.

Retailers that embrace a multichannel strategy tend to be more profitable than pure play online operators. As such, click & collect offers a growth opportunity for UK shopping centres. According to IMRG Cap Gemini e-Retail Sales Index, purchasing/reserving on line and collecting in store now account for 25% of multichannel retail sales. Within our shopping centres, 58% of stores offer a click and collect service, a trend that is set to grow.

In summary, favourable shopping trends, moving towards click & collect, combined with healthy retail spending forecasts and increased national occupier requirements for quality comparison and leisure space, point to a favourable retail environment in the context of our business strategy, outweighing the oversupply headwinds that exist in the wider retail property market. It is with this backdrop that we have embarked on a significant investment programme.

1 British Retail Council
2 Verdict

We ensure that our property assets are aligned with the constantly evolving demands of our tenants and shoppers, developments in technology, and consumer behaviour.

The key features we look for in our assets are:

- Dominant community shopping malls — healthy sale densities of £449psf across our portfolio compares favourably to in-town sales densities of £430psf (CBRE research)
- Strong footfall — outperformed the national index by 1.2% in 2013
- Affordable rental levels with potential for growth — rent to sales ratios are strong at 6.4% across The Mall portfolio and rents are affordable at £22psf
- Attractive added value opportunities — see asset by asset table below
- Ownership of car parking and availability of good local transport facilities – our portfolio has over 10,000 car parking spaces.

Our shoppers have demanding expectations of the level of service, convenience, range and quality of facilities, together with a real appreciation of value and local community. These community hubs provide our retailers with a cost effective location from which to serve their customers and sit as an essential element of the multichannel operation. We believe only those shopping centres which can consistently deliver these different elements will continue to be successful.

Continuing investment is essential to maintain and further enhance the relevance of our assets. Across our portfolio of eight centres we have agreed programmes of capex totalling approximately £40 million over the next three years from which we are targeting income returns of at least 10% over the period.

Across the Mall properties we have identified a further £36 million of value adding initiatives and we are also working on exciting masterplan developments for Camberley and Maidstone which would deliver transformational improvements to those towns.

Further details of our current year activities and future plans and opportunities on an asset by asset basis are detailed as follows:

£40m
agreed capex programmes over next three years

£36m
of further identified initiatives in Mall assets

Shopping Centre	No. of Retailers	Anchors	Summary
Blackburn	101	Debenhams, Primark, H&M, Next, Boots, Argos, BHS	A 600,000 sq ft Mall, extended and refurbished in 2011, gaining market share from neighbouring locations. During 2013: • Key lettings were achieved with Schuh, Card Factory, Shoe Zone, Toymaster, Perfect Home and Waterstones • We successfully defended an out of town retail park proposal • Opportunity remains to increase income and value through continued market share growth • Inward yield shift expected in response to the proven robust income stream as yield gap closes • £5.0 million of capex projects identified including: — Leasing of key voids — Identified PPM — Amalgamation of several units to form a gym

Shopping Centre	No. of Retailers	Anchors	Summary
Camberley	120	House of Fraser, Top Shop, Boots, Primark, Sainsbury's, Argos, River Island	A 390,000 sq ft Mall in a highly affluent South East catchment. Significant development opportunity to reposition and create a 290,000 sq ft extension. During 2013: • 20,000 sq ft TK Maxx was successfully delivered following the amalgamation and extension of four units • Adjoining 6,000 sq ft unit in advanced legals with international footwear operator • Continued material progress made around development opportunities — Development agreement Heads of Terms agreed with Local Authority — Progressive discussions with major department store anchor — Local Authority planning/decision making continues to support regeneration • £3.2 million capex[1] identified including: — Delivery of new lettings/amalgamations — Reconfiguration of Main Square 1 Excluding London Road redevelopment
Lincoln	45	New Look, Top Shop, Stormfront (Apple), Food Court	A popular cathedral city with increasing demand for well configured retail space. During 2013: • Major redevelopment of the centre commenced — 65% of redevelopment space by value now let to H&M, Next and FABG restaurant • Extended 15,000 sq ft New Look, which was delivered in December 2013 • Delivered the transformation of Mall public space to create spacious and attractive retail destination £6.8 million of capex projects identified including: • Completion of development construction • Leasing of remaining development units • Reconfiguration/addition of kiosk income to entrances and common areas

Shopping Centre	No. of Retailers	Anchors	Summary
Luton	135	Debenhams, Boots, Primark, H&M, Next, Top Shop, M&S, Wilkinson, TK Maxx	Luton is a 900,000 sq ft scheme within a thriving London satellite town: — Strong employment base — Growing population During 2013: • Good asset management progress including: — 7,000 sq ft River Island — 6,000 sq ft Deichmann Shoes — Newly filled/downsized Clintons £13.8 million of capex projects identified including: • 80,000 sq ft leisure/retail opportunity at existing Market Hall • 60,000 sq ft office refurbishment & re-let • Joint initiative being discussed with Local Authority on adjoining land to north of shopping centre • Leasing to key retailers to further build fashion mix
Maidstone	95	Boots, BHS, New Look, Wilkinson, Next, Sports Direct	A 500,000 sq ft scheme within a vibrant South East town: — Strong population growth is forecast — 300,000 sq ft of additional retail space required in town centre During 2013: • A five year lease extension exchanged with Next in anticipation of scheme improvements £7.7 million of capex projects identified including: • Planned refurbishment and repositioning of Mall environment targeted for H2 2014 • Reconfiguring space to secure transformational anchor • In partnership with the Local Authority: — Master plan under development — 300,000 sq ft extension of retail/leisure/residential — Public consultation on scheme ongoing

Our Assets and Operating Strategy continued

Shopping Centre	No. of Retailers	Anchors	Summary
Redditch	160	Debenhams, M&S, Primark, Next, Arcadia, TK Maxx	A 900,000 sq ft centre that sits within a prosperous catchment: — Robust employment — Increasing industrial prosperity During 2013: • Leisure Hub pre-lets to Nando's and Real China • Pure Gym opened November 2013 • Hub construction project progressing with opening of restaurants due April 2014 • Positive discussions with fashion operators to improve mix on Evesham Walk Strategy to reposition centre through £9.9 million investment, predominantly aimed at: • Completion of branded leisure hub • Improving Mall environment/customer experience • Creating more cohesive fashion mix, thereby attracting the more affluent shopper

Shopping Centre	No. of Retailers	Anchors	Summary
Walthamstow	60	Asda, BHS, Boots, New Look, River Island, Top Shop	A 260,000 sq ft London centre strategically located to benefit from changing demographic of area. During 2013: • Good progress being made on the investment targeted to radically transform the retail and leisure mix • Agreement for lease exchanged for reconfiguration/upsize of Sports Direct • Advanced legal negotiations with leading fashion operator for 26,000 sq ft store, involving reconfiguration of existing units £22.0 million of capex projects identified including: • Refurbishment of Mall due to commence H1 2014 • Construction/delivery of upsized Sports Direct • Delivery of 80,000 sq ft leisure/retail scheme extension

Shopping Centre	No. of Retailers	Anchors	Summary
Wood Green	90	Primark, Wilkinson, H&M, Boots, Argos, TK Maxx, WH Smith, New Look, Next	A vibrant 550,000 sq ft London shopping centre with 12 screen cinema and leisure offer. • Strategy to maintain strong income levels by targeted development and further refinement of tenant mix. During 2013: • Morrisons took former HMV unit • Completed lease to TK Maxx for extension into former Peacocks • Under offer to two national retailers for upsized units • £7.3 million of capex projects identified including: — Reconfiguration of upper floor units/introduction of fashion operators — Introduction of supermarket on vacant former garage site — Introduction of hotel operator to existing office accommodation

The principal focus of management during 2013 has been to continue to execute its strategy of disposing of non-core assets in order to concentrate resources on its core UK Shopping Centre business.

UK Shopping Centres

During the year the Group repaid £57.6 million of recourse debt following the sale of the Great Northern Warehouse. Subsequent to the year end it also sold Hemel Hempstead, its last remaining leisure property asset, realising £8.4 million.

In July 2013, The Mall sold Sutton Coldfield and Uxbridge for a combined total of £152.5 million which was used to reduce debt in The Mall. As a consequence The Mall is no longer constrained by its loan covenants from making distributions of income to its unit holders and is well placed to refinance the CMBS debt which matures in April 2015.

UK Shopping Centres

Retail Occupancy levels

Occupancy (like for like)	**30 Dec 2013 %**	30 June 2013 %	30 Dec 2012 %
UK Shopping Centres	**96.3**	95.4	97.5

1 Retail Occupancy excludes office or residential lettings. December 2013 and December 2012 includes a seasonal increase in temporary lettings.

We continue to focus on maintaining high levels of occupancy in order to create shopping destinations which are appealing to shoppers and tenants and which act as a springboard for growth in rental values. The decrease in year on year occupancy is due primarily to a fall in the level of temporary lettings of approximately 1.0% of total occupancy.

New lettings, renewals and rent reviews

There has been good letting activity across the portfolio.

UK Shopping Centres

Number of new lettings	56
Rent from new lettings (£m)	5.0
Comparison to ERV (%)[1]	3.0
Renewals settled	31
Revised rent (£m)	1.5
Comparison to ERV (%)	(3.6)
Rent reviews settled	41
Revised passing rent (£m)	4.0
Uplift to previous rent (%)	0.3
Comparison to ERV (%)	9.9

1 For lettings which did not include a turnover rent

Lettings to new occupiers continued at an encouraging level during the year and it is particularly pleasing to see new tenants such as Nando's taking space in our schemes and fashion retailers such as River Island, H&M and Next making significant commitments. The key lettings on an asset by asset basis are as outlined above.

1.2%
outperformance of national footfall index in 2013

Administrations

There were 32 units affected by administration during the year (2012: 48) with passing rent of £2.0 million (2012: £4.3 million).

UK Shopping Centres	Year ended 30 December 2013	6 months ended 30 December 2013	6 months ended 30 June 2013
Administrations (units)	**32**	12	20
Passing rent (£m)	**2.0**	0.6	1.4

At 30 December 2013, there were three units where tenants were continuing to trade whilst in administration with a passing rent of £0.2 million.

In the first two months of 2014 there have been eight units affected by administration with a passing rent of £0.3 million. This compares to 12 units with a passing rent of £1.0 million in the equivalent period of 2013.

Income security

Credit risk is managed through the assessment of the covenant strength of all incoming tenants and by monitoring credit ratings of key existing tenants. Where possible we look to pre-empt the consequences of administrations through contingency planning and by actively seeking to reduce exposure to known risks. The 10 largest occupiers by rental income at 30 December 2013 were:

UK Shopping Centres	%
Alliance Boots Limited	5.0
Debenhams Properties Limited	3.6
Primark Stores Limited	2.7
Arcadia (excluding BHS)	2.7
H&M	2.6
New Look Retailers Limited	2.6
BHS	2.3
Wilkinson	2.0
Sports Direct	1.8
JD Sports	1.8

Rent collection rates in the UK Shopping Centres (adjusted for tenants in administration) have continued to be strong throughout the year, with 96.7% of rent being paid within 14 days of the due date for December 2013.

Footfall

The UK Shopping Centres' footfall (excluding Lincoln, owing to its redevelopment) has outperformed the national footfall index by 1.2% during 2013. There was a fall in shopper numbers over the year of 2.5% compared to a decline of 3.7% in the UK benchmark index (ShopperTrak), demonstrating the relative strength of the portfolio. In 2014 UK Shopping Centre footfall has continued to outperform the benchmark, registering an absolute year on year increase of 3.0% in the first seven weeks of 2014 which is 3.6% ahead of the benchmark.

Temporary lettings

At 30 December 2013, on a like for like basis, there were 102 temporary lettings (2012: 106) for a net rent of £0.8 million (2012: £1.3 million) as compared to an ERV of £4.7 million (2012: £5.7 million).

Other operations

Rental income

Contracted rent across our UK portfolio decreased marginally.

UK Shopping Centres (Like-for-like)	December 2013 £m	June 2013 £m	December 2012 £m
Contracted rent	**70.7**	70.8	71.1
Passing rent	**67.0**	67.4	68.5

As at 30 December 2013, there was £1.1 million more rent attributable to tenants in a rent free period than there was at 30 December 2012. As these rent free periods expire the passing rent will increase accordingly.

Investment portfolio performance

The property level total returns are set out below:

30 December 2013	Property valuation £m	Capital return %	Total return %	Initial yield %	Equivalent yield %
UK Shopping Centres[1]	**851**	**(1.8)**	**4.9**	**6.8**	**7.3**

1 Weighted average by year end property valuation

Other Operations

Snozone

Snozone delivered a contribution of £0.9 million in line with 2012. Further cost reductions offset the impact of lower income due to the impact of snow during peak season trading, the good summer weather and a leisure environment that remains highly competitive.

German portfolio

The Group's commercial retail property portfolio in Germany is in a joint venture with Ares Management (formerly AREA Property Partners) and is held in five joint venture portfolios.

The key portfolio property data at 30 December 2013 is as follows:

			Property sizes						
Portfolio	Occupancy %	Weighted average lease length Years	Total #	>€50m #	€50m–€20m #	€20m–€10m #	<€10m #	Average Property value €million	Rental income €million
1	94.4	7.9	6	—	—	3	3	9.2	4.0
2	96.9	4.3	2	1	1	—	—	41.3	6.1
3	100.0	10.6	9	—	3	3	3	16.0	11.0
5	99.8	9.7	4	—	1	1	2	13.5	4.2
6	93.7	6.0	4	—	2	1	1	17.1	5.6
Total	97.5	8.1	25	1	7	8	9	16.2	30.9

The movement in German properties (on a like for like basis) is as follows:

Valuation 30 December 2013 €million	Valuation 30 December 2012 €million	Valuation movement €million	NIY 30 December 2013 %	NIY 30 December 2012 %
404.0	408.4	(4.4)	**6.8**	6.5

In our German portfolio we have continued to concentrate on extending the length of its income stream to maintain and increase valuation.

We have successfully increased the weighted average lease length by 0.3 years to 8.1 years (2012: 7.8 years).

There was a fall in contracted rent of €0.6 million in 2013 to €31.3 million (2012: €31.9 million). This was principally as a result of the downsizing of the anchor tenant at their lease expiry at Oschersleben. This however, was mitigated by active asset management activity to re-let the remaining space successfully to a DIY operator. Excluding Oschersleben, contracted rent was in line with the prior year.

€30.9m

German portfolio rental income at 30 December 2013

The key asset management initiatives undertaken in the year were:

Brühl (20,200 sq m)

Real has extended their lease to 2019 on their 17,525 sq m anchor unit.

Bochum-Wattenscheid (10,000 sq m)

Following on from the 2,500 sq m letting to FitX in 2012 further progress has been made in transforming the location from a struggling 10,000 sq m retail property into a leisure destination. A Chinese restaurant has signed a ten year lease of 1,600 sq m and an indoor children's play area has taken 1,640 sq m. These tenants will commence their fit-outs once the building permissions are granted. Additionally, we are in advanced discussions with a sports bar to take 800 sq m of space, leaving only one 800 sq m unit (8% by lettable area) left to let.

Heide (4,600 sq m)

We have made significant progress to replace the units that became vacant in 2012 and 2013 upon lease expiry, as improved access to the property has helped the leasing process. Woolworths has taken a five year lease on the 1,023 sq m anchor unit vacated by ALDI, and we have let a further 977 sq m to tenants on permanent leases. Schupark Facscies, a shoe retailer, has taken a five year lease (441 sq m) having been trading from this location on a temporary basis while Fressnapf, a pet food retailer, has signed a 10 year lease of the former 536 sq m unit that Schupark previously occupied. We are also in advanced negotiations with a fashion retailer to take the 744 sq m vacated by EDEKA in November 2013.

Herne

This property has been extended with the food anchor Toom taking an extra 285 sq m of space on a new 15 year lease. As part of this initiative four further units were created and let with a combined area of 264 sq m.

Aachen

At Aachen, in advance of Praktiker's lease expiry in July 2013, we agreed a back to back lease with Hammer on a 10 year lease and avoided any impact from Praktiker's administration.

Moerfelden-Walldorf

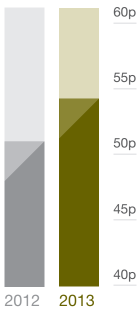
A small part of this property which comprises offices is covered by a rental guarantee that expires at the end of 2014. We have recently let 100 sq m which should provide momentum to let the remaining 450 sq m. There were two lease extensions for a combined 1,843 sq m agreed with Penny-Markt, which has extended its lease to 2023 and Dänisches Bettenlager, which has extended its lease to 2020.

Following on from the sale of the property at Taufkirchen in May 2013 for €6.3 million and the notarisation of the vacant Kreuztal property disposal post year end for €1.3 million (ahead of the year end valuation and expected to complete shortly), we intend to accelerate the realisation of value from the portfolio in 2014. We are currently in advanced talks to dispose of one large property and intend to bring a further tranche of assets to market during the year.

NAV per share

54p

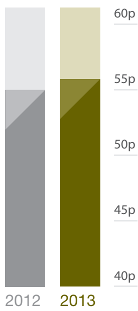
(2012: 51p)



EPRA NAV per share

56p

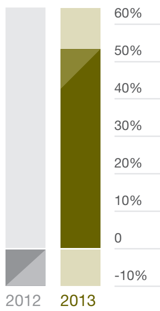
(2012: 55p)



Total Shareholder return

53.9%

(2012: (9.5%))



Financial Review

Key performance indicators

The key performance indicators we use to measure our performance against our strategy and objectives are:

	2013	2012
Investment returns		
Total shareholder return	**53.9%**	(9.5)%
Net assets per share	**54p**	51p
EPRA net assets per share	**56p**	55p
Return on equity	**5.1%**	(8.5)%
Financing		
Group cash/(net debt)	**£11.1m**	£(53.3)m
Proforma Group net debt[1]	**—**	13%
Proforma see-through net debt to property value[1,2]	**52%**	55%
Profitability		
Recurring pre-tax profit	**£14.0m**	£17.0m
Pre-tax profit/(loss) for the year	**£9.3m**	£(12.7)m
Basic earnings per share — continuing and discontinued operations	**3p**	(5)p
Property under management	**£1.2 billion**	£1.4 billion

1 2013 adjusted for £8.4 million Hemel Hempstead net proceeds, received in February 2014. 2012 figure adjusted for £30.6 million X-Leisure proceeds received in January 2013.

2 See-through debt and see-through net debt divided by IFRS property value.

Investment returns

Net assets per share increased in the year to 54p, up 3p or 6% since 30 December 2012, and EPRA net assets per share increased to 56p, up 1p, or 2% since 30 December 2012. The change in net assets resulted in a 5.1% return on equity for the year.

£188.7m
Net Asset Value

To provide a greater understanding of the composition of the business, the Group presents its balance sheet in two separate ways, with the "statutory" balance sheet following the accounting and statutory rules, and the "see-through" balance sheet showing the Group's proportionate economic exposure to the different property portfolios. These are shown below as at 30 December 2013:

	See-through Property £m	See-through Debt £m	Other £m	Statutory 30 December 2013 £m	See-through Property £m	See-through Debt £m	Other £m	Statutory 30 December 2012 £m
The Mall	**214.3**	**(111.1)**	**(2.8)**	**100.4**	180.8	(115.0)	2.2	68.0
Germany	**167.9**	**(119.6)**	**(3.5)**	**44.8**	168.9	(124.3)	(2.0)	42.6
X-Leisure[1]	**–**	**–**	**–**	**–**	—	—	30.6	30.6
Great Northern	**–**	**–**	**–**	**–**	70.0	(57.6)	0.4	12.8
Kingfisher Redditch	**26.9**	**(17.1)**	**1.3**	**11.1**	26.3	(17.2)	0.3	9.4
Waterside Lincoln	**15.7**	**(6.8)**	**1.2**	**10.1**	13.0	(6.8)	0.9	7.1
Hemel Hempstead	**8.4**	**–**	**–**	**8.4**	8.4	—	(0.2)	8.2
Other net assets	**–**	**–**	**13.9**	**13.9**	—	(1.0)	1.9	0.9
Net assets	**433.2**	**(254.6)**	**10.1**	**188.7**	467.4	(321.9)	34.1	179.6

1 For 2013 Hemel Hempstead shown at net realisable value of £8.4 million. For 2012, X-Leisure shown at net realisable value of £32.2 million less related costs of £1.6 million. See note 29 for further details.

Financing

Following the disposal of the Great Northern Warehouse on 31 October 2013, the Group repaid all of its on-balance sheet debt. At 30 December 2013, the Group had cash of £11.1 million (2012: net debt outstanding of £53.3 million).

	Group debt £m	Off balance sheet debt £m	See-through debt £m
At 30 December 2012	58.6	263.3	321.9
Property acquisition	—	(0.1)	(0.1)
Repayments from disposals	(57.5)	—	(57.5)
Other repayments	(1.1)	(45.7)	(46.8)
Increased investment in The Mall	—	34.6	34.6
Foreign exchange	—	2.5	2.5
At 30 December 2013	**–**	**254.6**	**254.6**

Group debt

The Group maintains a £25 million core revolving credit facility. This was utilised during the year to the extent that the maximum amount drawn down under it was £1.0 million (2012: £14.8 million). At 30 December 2013, there were no drawings on the central facility. The forecast covenant tests indicate that there is sufficient headroom for the full £25 million facility to be available.

At 30 December 2013, the Group had cash balances of £11.1 million (2012: £5.3 million).

Off balance sheet debt

Off balance sheet debt, which is non-recourse to the Group, fell by £8.7 million to £254.6 million at 30 December 2013 (2012: £263.3 million) as a consequence of asset disposals.

The proforma breakdown of the Group's share of off balance sheet debt and net debt at 30 December 2013 was as follows:

Group share 30 December 2013	Debt[1] £m	Cash[2] £m	Net debt £m	Loan to Value[3] %	Net debt to value[3] %	Average interest rate %	Fixed %	Weighted average duration to loan expiry Years
The Mall	**111.1**	(18.8)	**92.3**	55	46	4.11	100	1.3
Germany	**119.6**	(3.9)	**115.7**	72	69	2.82	63	2.7
Kingfisher Redditch	**17.1**	(2.0)	**15.1**	63	56	6.17	100	3.3
Waterside Lincoln	**6.8**	(0.7)	**6.1**	43	39	4.80	100	1.6
Off balance sheet	**254.6**	(25.4)	**229.2**					

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

The Mall Fund's debt was reduced by £191.4 million to £379.5 million at 30 December 2013 (2012: £570.9 million). This decrease was due to debt repayments from the sale proceeds of Uxbridge and Sutton Coldfield and from cash generated from operations. Following these debt repayments the Mall's gross LTV at the end of 2013 was 55% which is below the 60% threshold at which the Fund can distribute.

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

The refinancing of €141 million of German debt, covering three of the five portfolios, was completed in December 2013 on a new three year facility at an all in cost of below 3%. Total German debt decreased by €17.4 million to €289.3 million at 30 December 2013 (2012: €306.7 million). At the applicable exchange rates this was equivalent to £241.2 million (2012: £250.5 million).

Maturity analysis

The table below shows the maturity profile of the see-through debt and undrawn core credit facility at 30 December 2013:

	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	**Total £m**
Sterling debt drawn	—	117.9	—	17.1	—	**135.0**
Euro debt drawn	—	32.7	72.1	14.8	—	**119.6**
Undrawn core credit facility	—	—	25.0	—	—	**25.0**
As at 30 December 2013	—	150.6	97.1	31.9	—	**279.6**

Covenants

The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 December 2013. Further details are disclosed in the 'covenant information' section at the end of this report.

Interest rate hedging

The majority of current borrowing, both at Group level and in the funds and joint ventures, continues to be covered by interest rate swaps or caps. At 30 December 2013, the see-through valuation of the Group's swaps and caps was a liability of £5.6 million (2012: £14.4 million) which will not be crystallised unless the underlying contracts are closed out before their expiry date. During the year, The Mall terminated swaps at a total cash cost of £9.7 million, of which the Group's share was £2.0 million.

£14.0m
recurring pre-tax profit

Cash distributions

The Group received total cash distributions of £1.9 million during the year comprising a £1.2 million tax distribution from The Mall Fund and £0.7 million from its German investments.

Profitability

Recurring pre-tax profit

The Group's recurring pre-tax profit decreased by £3.0 million to £14.0 million for the year ended 30 December 2013 (2012: £17.0 million). The breakdown of recurring pre-tax profit, as defined in Note 1, is as follows (and as set out further in Note 2a):

	Year to 30 December 2013 £m	Year to 30 December 2012 £m
UK Shopping Centres	**6.2**	5.6
German property investment	**6.6**	7.1
Property management	**4.6**	3.4
Snozone	**1.0**	1.2
Group items	**(4.4)**	(4.0)
Discontinued Operations[1]	**—**	3.7
Recurring pre-tax profit	**14.0**	17.0

1 This includes the results of Great Northern Warehouse and Hemel Hempstead for 2013 and X-Leisure, Xscape Braehead and The Junction Fund for 2012.

The increase in recurring pre-tax profit from UK Shopping Centres reflects the full year impact of the acquisition of The Kingfisher Centre, Redditch and income from additional Mall units during the period. The impact of this was reduced by the disposal by the Mall of the centres at Sutton Coldfield and Uxbridge. The fall in recurring profitability in Germany principally reflects the loss of income from Portfolio 4 after 30 June 2012. Recurring profits within Property Management have increased due to the net impact of the loss of fees in respect of Mall disposals being offset by cost reductions, the expiry and write back of a provision of £1.4 million and the full year effect of fees arising from The Kingfisher Centre.

Financial Review

Profit for the year

The profit for the year ended 30 December 2013 was £9.1 million (2012: loss of £16.0 million) and is analysed below:

	Year to 30 December 2013 £m	Year to 30 December 2012 £m
Recurring pre-tax profit	**14.0**	17.0
Property revaluation	**(1.8)**	(20.8)
(Loss)/profit on disposal of properties within funds	**(4.5)**	(1.6)
(Loss)/profit on disposal of Group properties	**(1.1)**	—
Performance fees – net of Group share of cost	**—**	2.0
Impairments in respect of German portfolio 4 (including Euro B Note)	**(2.4)**	(6.5)
Other impairments	**—**	(3.1)
Financial instruments revaluation	**6.5**	3.6
Gain on investment in The Mall	**2.0**	1.4
Loss on disposal of JV and Associates	**—**	(4.0)
Other items	**(3.9)**	(2.9)
Tax	**0.3**	(1.1)
Profit/(loss) for the year	**9.1**	(16.0)

As well as the recurring pre-tax profit discussed above, the other main factors behind the result for the year were:

- *Loss on disposal within funds* — primarily relating to the sale of Uxbridge and Sutton Coldfield within The Mall.
- *Loss on disposal of Group properties* — relating to the loss on sale of Great Northern Warehouse partially offset by profit on the sale of land and FIX UK.
- *Impairments in respect of German portfolio 4* — the remaining £2.4 million of the Group's investment in the Euro B-note was impaired to £nil at 30 June 2013 following one of the major tenants of the underlying portfolio entering administration.
- *Financial instruments revaluation* — the valuation of the Group's financial instruments improved as the time remaining on the out of the money interest rate swaps has eroded.
- *Gain on investment in The Mall* related to the Group's purchase of 85.9 million units in The Mall Fund as detailed below.

Tax

The tax credit for the year on continuing operations was £0.2 million compared to £0.9 million in the prior year consisting of a current tax credit of £0.5 million and a £0.3 million deferred tax charge (2012: £1.4 million of current tax credit and £0.5 million of deferred tax charge).

The current tax asset was £0.5 million at year end (2012: liability of £1.3 million).

Property under management

During the year, property under management fell due to the disposal of the wholly owned Great Northern Warehouse and disposals by The Mall of Sutton Coldfield and Uxbridge. The overall impact on property under management is set out below.

100%	Valuation 30 December 2012[1] £m	Disposals/ additions £m	Other movements £m	Revaluation £m	**Valuation 30 December 2013[1] £m**
UK Shopping Centres	1,008.9	(167.8)	10.9	(0.6)	**851.4**
German joint venture	338.9	(5.4)	8.0	(4.7)	**336.8**
Other properties[2]	80.9	(80.9)	—	—	**—**
Property under management	1,428.7	(254.1)	18.9	(5.3)	**1,188.2**

1 Valuation excludes adjustments to property valuations for tenant incentives and head leases treated as finance leases and trading properties are included at the lower of cost and net realisable value.
2 Hemel Hempstead has been excluded following classification as held for sale during the year. Sale was completed in February 2014.

£1,188m
property under management

The split of property under management by sector has changed as a result of property disposals. The sector analysis at 30 December 2013 and prior year end is as follows:

	2013 %	2012 %
Shopping centres	**71.6**	70.7
Leisure	**—**	5.6
Germany	**28.4**	23.7
	100.0	100.0

Disposals

On 12 July 2013, The Mall sold The Pavilions, Uxbridge and The Gracechurch Centre, Sutton Coldfield for a combined £152.5 million at a net initial yield of 7.7%. The net sale proceeds were used to repay debt within The Mall.

In August 2013, the Group exchanged contracts for the sale of Jarman Fields, Hemel Hempstead. The disposal was completed in February 2014 with net proceeds of £8.4 million received.

On 31 October 2013, the Group disposed of the Great Northern Warehouse, Manchester for an initial consideration of £71.1 million. A debt repayment of £57.5 million was made from these proceeds.

Mall unit purchases

The Group acquired a total of 85.9 million units in The Mall during 2013, representing 9.11% of the Fund at an aggregate cost of £29.3 million. As a result the Group's interest in The Mall has increased during the year to 29.26% at 30 December 2013 (2012: 20.15%).

Foreign currency exposure management

The Group uses a forward foreign exchange contract as a hedge of its net investment in the German joint ventures. At 30 December 2013, this was achieved through a contract for €35 million (2012: €47.0 million) at a fixed exchange rate of 1.19254 (2012: 1.1797) which hedges 65% (2012: 97%) of the Group's German investment. At 30 December 2013, the value of the contract was an asset of £0.1 million (2012: asset of £1.4 million).

To the extent the hedge is effective under accounting rules, valuation movements on the forward contract are shown in reserves, where they partially offset the gain or loss in the value of the net investment in the Group's German joint ventures.

Financing strategy

Our financing structure needs to be flexible and cost effective and this has been achieved through having cash of £11.1 million and a central revolving credit facility of £25 million at 30 December 2013 which was undrawn at that date. This gives the Group the scope to fund future property investments as opportunities arise.

At an associate and joint venture level, debt has been raised from a variety of sources with a spread of maturities to mitigate refinancing risk as set out in the debt maturity analysis chart. Debt held in associates and joint ventures is non-recourse to the Group.

Financial Review

Dividend

Our dividend policy links future payments to the Group's cash generating ability. In view of the Group's significantly improved financial position and in anticipation of the Mall's ability to recommence distributions, the Board took the decision to resume dividend payments after five years and pay an interim dividend of 0.25p per share in September 2013. The Board is now recommending a second interim dividend of 0.40p per share, in lieu of a final dividend, making a total dividend of 0.65p per share for 2013. The Board expects to be able to adopt a progressive approach to dividend payments as its ability to generate cash further improves.

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

12 March 2014	Ex-dividend date
14 March 2014	Record date for the payment of second interim dividend
11 April 2014	Dividend payment date

Going concern

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

Charles Staveley
Group Finance Director

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Introduction

The Responsible Business Committee is chaired by Philip Newton and met three times in 2013. This report provides an update on the progress we have continued to make during 2013 in implementing our Responsible Business strategy and a summary of our activities.

The last decade has been one of rapid evolution for the responsible business and sustainability agenda. As a large UK property owner and manager we very much welcome the increased interest from investors, shareholders and consumers in how we address sustainability and evidence our approach to being a responsible business.

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

Bringing people and communities together we continue to have a practical, applied and engaged approach to responsible business; it is part of what we do every day. Our long term success is linked to the vitality and wellbeing of the communities in which we operate. Our retailers and shoppers expectations are changing, people expect us to manage our impact on the environment carefully.

We have made good progress against our environmental targets again this year; highlights included achieving the Global Real Estate Sustainability Benchmark in 2013 or GRESB.

The Mall Fund was ranked 1st in the UK for retail, 6th in Europe and 12th globally out of all participants covering 49,000 assets worth $6 trillion. http://gresb.com/. Our energy consumption reduced by 7.6 % saving £240,000. For the last 10 years we have made year on year savings and of 6,618 tonnes of waste generated 98% avoided going direct to landfill. Our shopping centres use 35%–45% less energy than they did 5 years ago. An example is The Kingfisher in Redditch which we acquired in May 2012 and now consumes 24% less energy. Since 2008 we have saved over £1.25 million in energy costs and the Royal Society for the Prevention of Accidents or ROSPA Gold Award was awarded to us for the 7th year in a row reflecting our embedded positive health, safety and wellbeing culture.

The following information reports our performance against the 2013 objectives and details the targets for 2014.

£1.25m

saved in energy costs since 2008

The Marketplace

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

Town centre regeneration and attracting and supporting new retailers whilst utilising temporarily void shop units has been a key focus for our teams with a good deal of success. The new Pop Up shop movement is a key initiative for us and an example of how we are at the forefront of this was in The Mall Camberley.

2013 Objectives

2013 Objectives	2013 target	2013 Performance
1 To ensure 100% of all site risk assessments are integrated into our new online database	100% in new format and tested at 2013 audit	Achieved
2 To launch a new Compliance Structured site visit with all sites achieving a rating of at least 90%	All sites to score 90% or above	Completed — average score of 94%
3 To continue to be awarded the ROSPA Gold award	Retention of award	Awarded in July 2013
4 To achieve an average score of over 92% across the sites in the 2013 C&R Safe audit	Average score of over 92%	Average score of 95% achieved
5 To launch bespoke C&R Health and Safety course externally accredited by IOSH	At least one day of this training course at each site	Accredited Managing Risk in Shopping Centres course launched and delivered at Redditch and Lincoln to date
6 To reduce costs through full re-tender of the main security and cleaning contracts	Re-tender during 2013	Tender process completed with integrated security and cleaning contract delivering significant savings awarded to VSG commencing February 2014
7 To utilise Mall Maintain to further reduce our vendor base and reliance on sub-contractors	Demonstrate in at least three centres, through training matrix and reduction in contract cost	Mall Maintain contract was awarded to Norland in September 2013. Sub-contractors numbers reduced. Structured online training system introduced
8 Successful annual technical Structured Site Visit for each property	90% minimum score	Achieved

Case Study

PopUp Camberley

C&R has had a long-term commitment to supporting local and independent businesses. PopUp Britain connects online start-up businesses with vacant shops across the country, giving them low-cost, short-term access to the high street. PopUp Camberley was the first PopUp Britain pop up shop in a UK shopping centre.

Over six weeks 15 online companies were given an opportunity to trial their businesses in the physical environment. Items ranged from jewellery and homeware to handmade gifts and treats. One of the tenants was the youngest entrepreneur in the country, nine year old Henry Patterson. Four traders performed particularly well and were offered the chance to trade for longer.

StartUp Britain co-founder Emma Jones said: "PopUp Britain enables small businesses to make sales, meet customers, learn from each other and test new markets in an affordable, flexible way. PopUp Camberley was an excellent example of making the most of the opportunity".

2014 Objectives

	Objectives	2014 target
1	To retain the ROSPA Gold Award	Retention of award
2	To ensure average score of over 93% in the unannounced C&R Safe Audits	Average score of over 93%
3	For sites to achieve a rating of at least 92% in the Compliance Structured Site Visit	All sites to achieve a score of 92% or above
4	To ensure all Duty Managers have completed the 2014 C&R Safe Procedures competency checks	100% compliance
5	To carry out 100% of the Joint Unit Inspections (JUI) on the new ipad app	100% compliance
6	To successfully implement the new integrated contract with VSG and explore further cost saving opportunities	Average BSPM score for all sites >94%
7	To re-tender the waste and recycling contracts at each centre to ensure best practice operations and best value for retailers/tenants	All contracts re-tendered and new contracts placed in 2014
8	To ensure all statutory and non-statutory records are up to date, PPM compliance is greater than 95% at all times against year to date	Monthly and quarterly meetings recorded. Compliance >95%
9	Successful annual technical Structured Site Visit for each property	90% minimum score
10	Experiment in one centre with an innovative approach to a quality assessed initiative that delivers cost savings while improving the quality of the environment and personal development opportunities for our teams	Implement in one centre to standard suitable for entry to industry award e.g. FM, BCSC

The Environment

Our aim is to continue to have a proactive approach to tackling our impact on the environment. For many years we have worked hard to reduce our impact in the three key areas of waste, water and energy and have made significant progress in these areas.

We have long recognised that any development activity should mirror this and have proactively ensured we minimise energy consumption and mitigate the effects of climate change throughout the design, refurbishment or building phase. We will continue to improve our environmental sustainability by focussing on the aspects over which we have the most direct control whilst also sharing our best practice and influencing our partners, retailers and suppliers.

An example of how we strive to engage on sustainability was the Enviromall initiative this year with the environmental artist, Michelle Reader, across all our Malls.

Case Study

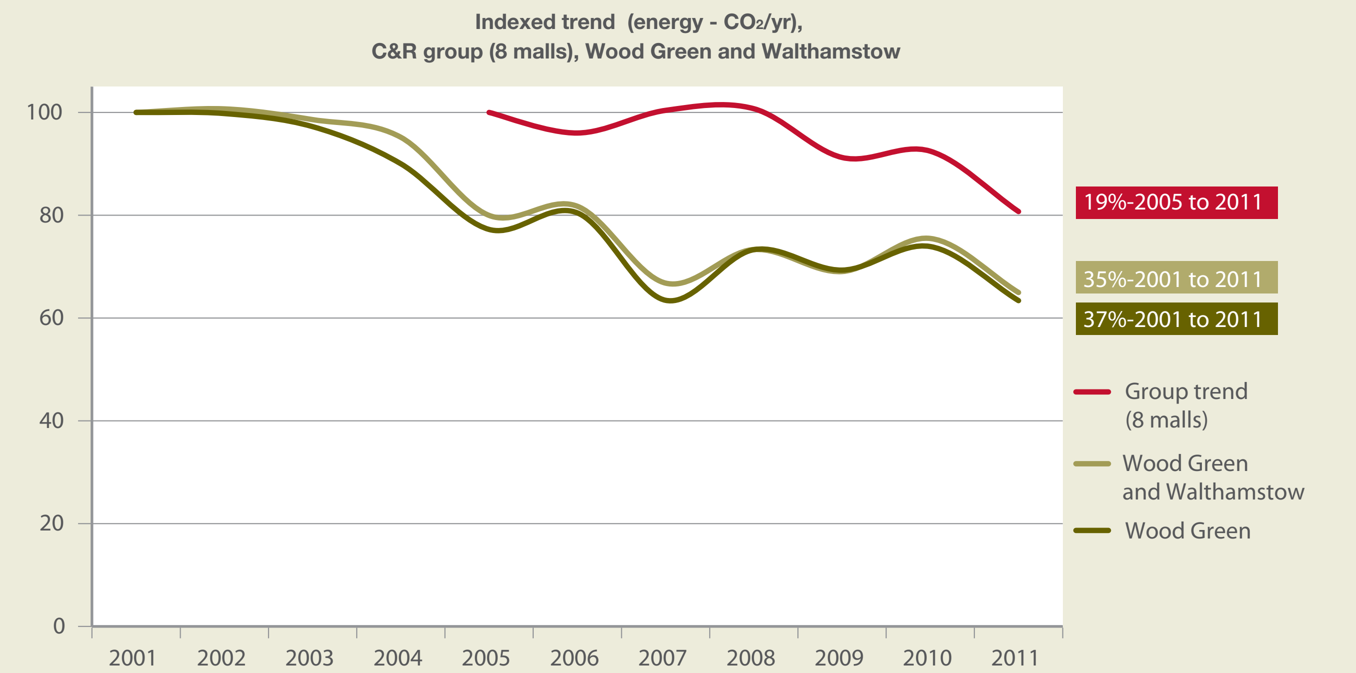
Environmall

We commissioned environmentally conscious artist Michelle Reader to undertake a unique recycling project.

Life sized sculptures, crafted from waste materials found at the shopping centres, aimed to raise awareness amongst shoppers and retailers of the importance of reusing and recycling waste products.

2013 Objectives

2013 Objectives	2013 target	2013 Performance
1 Continue to reduce our environmental impact and focus further on low carbon retrofit projects	Reduce Energy Consumption by 4.5% Reduce Water Consumption by 2%	Energy reduced by 7.6%, a saving of over £240,000 Water consumption increased by 3.5% costing £3,500 and we are looking at ways to reduce this in 2014 Our shopping centres use 35%–45% less energy than they did five years ago. Since 2008 we have saved over £1.25 million in energy cost
2 Continue to improve our waste handling and management	Recycle 65% of waste material 15% of our waste to energy 95% of all waste diverted from landfill	82% of waste recycled 11% waste to energy 98% was diverted from going direct to landfill
3 Meet all carbon reduction commitment regulations	Retain The Carbon Trust Standard	Carbon Trust Standard retained through to 2015; CRC allowances in place for 2013/14 C&R has been an integral part of the BCSC (British Council for Shopping Centres) Low Carbon working group for the last eight years. We contributed to best practice examples and advised on the publication of membership guidance in 2013 We have been active participants of the BCSC Sustainability Charter and in 2013 joined the Better Buildings Partnership
4 Ensure readiness for mandatory GHG reporting	Data fully prepared	Achieved



Wood Green and Walthamstow are shown separately to graph the trends of our most and least energy intensive assets respectively

2014 Objectives

	Objectives	2014 target
1	Continue to reduce environmental impact through operational improvements, replace, re-think projects, low carbon retrofit and renewable opportunities	Reduce energy by 3.5% and water consumption by 2%
2	Continue to improve our waste handling and management	Recycle 85% of waste back in to the supply chain and 95% of all waste diverted from landfill
3	Satisfy all carbon management and legislative requirements and continue to reduce carbon emissions	CRC & GHG reporting compliant
4	To retain Global Real Estate Sustainability Benchmark Green Star rating	Retention of rating
5	Contribute to the work of the Better Buildings Partnership	Feedback and involvement
6	Continue working with BCSC Low Carbon Working Group and contribute industry guidance and promotion of best practice	Publications and strategy input continued
7	Review our processes to consider further sustainability within the acquisition due diligence process	Improvements identified and implemented
8	Establish a framework for our sustainable development and refurbishment works with project management	Design and implement by Q3 2014
9	Raise environmental performance and awareness of our centres with our top retailers	Meet and present to 15 retail partners

The Work Place

Our aim is to engage, develop and reward our people, retaining our reputation as the employer of choice within the sector in which we operate. Our people are at the very heart of the business, they are critical to our success. We want to provide a challenging and stimulating working environment in which people can flourish and grow.

We also aim to provide relevant, engaging training for all in order that they can make their fullest contribution to our success and their own.

We set out to provide a working environment which supports the wellbeing and health of all our people, taking account of the diversity of our workforce and reflecting our values and ethics.

See Director's Report for further disclosure on Employees and the Nominations Committee section of our Corporate Governance review for our Diversity policy.

2013 Objectives

	2013 Objectives	2013 target	2013 Performance
1	Design and deliver a motivational training and development initiative for all central employees and General Managers (GM's)	Full attendance on programme over four days >70% positive evaluation	The C&R Olympic Experience programme was designed and delivered in three one-day programmes. 86 people took part including all site GM's. Feedback was 90% positive.
2	Design and implementation of bespoke Institute of Leadership and Management (ILM) accredited Management Skills Programme	Six modules up to 60 delegate days >70% positive evaluation	The C&R Management Skills Programme 2013 consisting of six modules was delivered very successfully. Over 40 delegate days of training took place and feedback was 100% positive. In addition, a total of 10 people across six different shopping centres achieved ILM certification.
3	Communicate employee feedback from staff survey and use to inform actions	Communication of the feedback to all employees	The survey results were communicated to all team members within weeks of the survey closing. A full briefing was also given to the C&R board A number of activities relating to the feedback received took place in the second half of 2013 with an article in C&R's in-house magazine Arc communicating the specific follow-on actions being undertaken. The survey was repeated at centres in November 2013, initial analysis of the feedback shows increased participation and that 95% of respondents believe this is a good place to work The full survey results will be communicated and a full briefing conducted for senior management and the C&R board. This will inform the planning of activities in 2014 and going forward
4	Design and deliver a new Leadership Experience Programme over two days for managers and leaders in the business	All Manager level attendance >70% positive evaluation	Following the consultation it was decided instead to hold a Team Conference in early 2014 Senior managers completed over 20 days of role specific training, development or coaching throughout the year

Case Study

Chantelle Henderson

In 2013 Chantelle achieved the Institute of Leadership & Management (ILM) Certificate in Management Skills, something that a couple of years before wouldn't have seemed possible.

After a number of years as a part time administration assistant at the Waterside Centre, Lincoln, Chantelle was keen for personal development opportunities and as soon as the centre was purchased by C&R in 2011 she started to look for them.

It was recommended that she consider the in-house ILM accredited training course. Chantelle attended seven one-day workshops over two years with up to 10 colleagues each time.

Chantelle now works full time, is responsible for marketing, administration and many other things at the Waterside and with the centre going through a £9 million redevelopment Chantelle finds this gives her plenty of opportunities to bring her management skills into play.

"I find I keep going back to what I learned and utilising it for all the things the development throws up. Its been very relevant to this situation, and because we're such a small team and others have also done some of the training too, it really works well."

2014 Objectives

	Objectives	2014 target
1	Design and delivery of a Team Conference in March 2014 with aim to inform, inspire and equip everyone to achieve the corporate objectives in 2014 and move their personal contribution forward	All GM's and selected managers attend > 70% positive evaluation
2	To achieve successful Investors in People (IIP) review and retain the IIP accreditation at the centres	Retention of IIP accreditations
3	Design and implement a bespoke training programme for customer service personnel as a follow up to the highly successful programme delivered in 2012	Participation of up to 60 people >75% positive evaluation
4	Design and implement a bespoke Institute of Leadership and Management (ILM) accredited Management Skills Programme for new and first line supervisors	All Manager level attendance >70% positive evaluation
5	Work closely with our new soft services partner, design and implement a new bespoke staff training package and issue a detailed training matrix for all security and cleaning staff	New staff training package launched Training matrix in place and training delivered through on-going programme
6	Through our new soft services partner implement bio-metric staff recording technology at all shopping centres to ensure a fair and accurate system of recording staff attendance and time worked on site	Installation and implementation of system

The Community

Our shopping centres have a key role in the communities in which we operate. We have an important economic contribution to make through the regeneration of the local environment. Our centres support local and national charities and NGO's and work closely with key stakeholders to ensure we listen, engage and use feedback (increasingly through social media) to develop our impact.

We aim to provide safe, welcoming, clean and attractive shopping and leisure venues where people choose to shop, work and socialise and aim to make a positive contribution to each local community by being a responsible, socially aware and proactive partner. Some examples of the great initiatives delivered in 2013 are set out below.

2013 Objectives

2013 Objectives	2013 target	2013 Performance
1 To maintain involvement in local business crime partnerships, supporting the police to further reduce the levels of recorded crime during 2013	5% reduction in recorded crime during 2013	The total number of security incidents recorded during 2013 was 11.6% lower than 2012, on a like for like basis. Our security teams are actively involved in supporting the local Crime Reduction Partnerships (CRP) across our portfolio. The levels of crime reported in our Malls are monitored and reported on monthly A collaborative and targeted approach by the local CRP resulted in a significant reduction in the levels of crime and anti-social behaviour at the Blackburn Mall with the Blackburn Security Manager also being shortlisted for Security Manager of the Year 
2 To trial and adopt new technology and ensure a consistent approach to system management	Full trial of body worn CCTV equipment to enable at scene recording	Security and Data Protection procedures have been amended and Body worn CCTV technology was introduced during 2013. Security control room audits were undertaken during the year and procedures updated to ensure best practice. The new contract with VSG will facilitate a new approach to security control room and CCTV system auditing during 2014
3 Continue to develop the already high number of local Community projects in the towns in which we operate	Increase number by 10%	On site teams continue to focus on this and there are an increasing number of community projects which pull together many of the strands of our responsible business approach. There are key links to regeneration which can allow further investment through for example refurbishment / physical surroundings improvement

Case Study

Mum's the Word

Mum's the Word is a not for profit organisation offering a unique way communities can connect through recycling. After seeing an article in the local paper about the high costs of uniforms and people struggling to meet the cost Rachel Rhodes and Caroline Fotios decided to do something about it and Mum's the Word was born.

Mum's the Word has supplied families with school wear, Brownies, Rainbows, Football, footwear and much more. The Mall Blackburn agreed to pledge its support to Mum's The Word ahead of the busy summer season and the First Retail Outlet was born allowing Mum's The Word to reach a wider audience of circa 275,000 per week.

Caroline Fotios said:

"We launched Mum's The Word as we are passionate about recycling and helping the local community.

It has been a real whirlwind of activity since we launched and the chance to trade in The Mall is more than we could have every hoped for — especially during the school holidays, which is our busiest time!"

Case Study

Waterside Shopping Centre

In the middle of an 18 month £9 million redevelopment, The Waterside Shopping Centre in Lincoln created a gigantic image of one of Europe's most prestigious gothic cathedrals and placed it at the centre of a campaign to celebrate the development of the centre. Creative use of a construction hoarding achieved excellent public relations, strengthened links with the local community and maintained footfall.

Matt Corrigan, chief executive of Lincoln Business Improvement Group: "Bringing the cathedral into the heart of The Waterside shopping centre has been a really clever way of emphasising this connection. It's a great example of not just marketing but of place making!"

Lincoln Cathedral tweeted: *"What an incredible image! We hope Waterside shoppers go on to make their way up the hill to see the real thing!"*

2014 Objectives

	Objectives	2014 target
1	To maintain our involvement in the local Crime Reduction Partnerships supporting the police to further reduce the levels of recorded crime in 2014	5% reduction in recorded crime at centres in 2014
2	To complete the implementation of body worn CCTV systems at centres to continue to prevent crime and anti-social behaviour To implement a new detailed audit process for CCTV systems installed at the shopping centres	Completion of security control room and CCTV system audits and reports at all sites during 2014
3	To review the role of first aid trained staff in responding to emergencies both within centres and the town centres in which we operate and explore opportunities to train key individuals as first responders	Completed review of first aid activities and provision at each centre

There are a number of risks and uncertainties which could have a material impact on the Group's future performance and could cause actual results to differ materially from expected and historical results. References to "the Group" in this context include the funds and joint ventures in which Capital & Regional has an interest.

The Group carries out a regular review of the major risks it faces. This is a bottom-up process starting with divisional management and monitors and allocates responsibilities for the controls that have been put in place to mitigate the risks identified.

The two principal categories of risks are Property Risks and Funding and Treasury Risks. In addition to the specific mitigating actions listed below we look to mitigate Property Risks by the nature of the assets we invest in. The characteristics of these assets are outlined in the 'Our Assets and Operating Strategy' where we also outline the specific initiatives planned on an asset by asset basis to protect and enhance value. The group's key focus in managing Funding and Treasury risks is to seek to ensure that there is appropriate headroom on credit facilities and that they are renewed well in advance of expiry. The key actons undertaken in this regard during the year are detailed in the ' Group debt' and 'Off balance sheet debt' sections of the Financial Review.

Risk	Impact	Mitigation
Property risks		
Property investments market risks		
• Weakening economic conditions and poor sentiment in commercial real estate markets could lead to low investor demand and market pricing adjustment	• Small changes in property market yields have a significant effect on the value of the properties owned by the Group • Impact of leverage could magnify the effect on the Group's net assets	• Monitoring of indicators of market direction and pursuit of opportunistic asset sales in those schemes and locations most likely to suffer adverse impact • Review of debt levels and consideration of strategies to reduce if relevant
Impact of the economic environment (tenant risks)		
• Tenant insolvency or distress • Prolonged downturn in tenant demand and pressure on rent levels	• Tenant failures and reduced tenant demand could adversely affect rental income revenues, lease incentive costs, void costs, available cash and the value of properties owned by the Group	• Large, diversified tenant base • Review of tenant covenants before new leases signed • Long term leases and active credit control process • Good relationships with, and active management of, tenants • Void management though temporary lettings and other mitigation strategies
Threat from the internet		
• The trend towards online shopping may adversely impact consumer footfall in shopping centres	• A change in consumer shopping habits towards online purchasing and delivery may reduce footfall and therefore potentially reduce tenant demand for space and the levels of rents which can be achieved	• Strong location and dominance of shopping centres (predominantly South East England) • Strength of the community shopping experience • Increasing provision of 'Click and Collect' services by retailers within our shopping centres • Monitoring of footfall for evidence of falling visitors to shopping centres • Monitoring of retail trends and shopping behaviour • Mobile smart phone marketing initiatives

Risk	Impact	Mitigation
Property risks		
Valuation risks		
• In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty	• Stated property valuations may not reflect the price received on sale	• Use of experienced, external valuers • Rotation of valuers • Valuations reviewed by internal valuation experts
Property management income risks		
• Fee income, although largely fixed, may still fall based on value of property under management • Contracts allow for termination under certain circumstances, which are largely outside management's control	• Changes in property values, sales of properties or other events not wholly under management's control could result in a reduction in or the loss of property management income	• Monitoring of compliance with terms of contracts • Close dialogue with other investors and stakeholders • Contracts have now been largely renegotiated to fix income • Reduction of cost base as fee income falls to mitigate loss
Nature of investments and relationships with key business partners		
• The market for the Group's investments can be relatively illiquid • Restrictions on ability to exercise full control over underlying investments in joint ventures or fund structures	• Inability to sell investments or fully control exit/asset sale strategies could result in investments in associates and joint ventures not being realisable at reported values	• Close dialogue with other investors and stakeholders to align strategies and increase influence over the direction of investments • Exercise of significant influence over associates and joint ventures through representation on management boards
Funding and treasury risks		
Liquidity and funding		
• Inability to fund the business or to refinance existing debt on economic terms when needed	• Inability to meet financial obligations (interest, loan repayments, expenses, dividends) when due • Limitation on financial and operational flexibility • Cost of financing could be prohibitive	• Debt refinancing and asset sales at both Group and fund levels have improved liquidity position, reduced the potential impact of falls in property values and positioned the Group to respond quickly to the turning point in the cycle • Ensuring that there are significant undrawn facilities • Option of further asset sales if necessary • Efficient treasury management and regular proactive reporting of current and projected position to the board to ensure debt maturities are dealt with in good time

Risk	Impact	Mitigation
Funding and treasury risks (continued)		
Covenant compliance risks		
• Breach of any of loan covenants causing default on debt and possible accelerated maturity	• Unremedied breaches can trigger demand for immediate repayment of loan	• Regular monitoring and projections of liquidity, gearing and covenant compliance • Review of future cash flows and predicted valuations to ensure sufficient headroom
Foreign exchange exposure risks		
• Fluctuations in the exchange rate between sterling and the euro in respect of the Group's German joint venture • Uncertainty over the Eurozone and the future of the Euro currency	• Adverse impact on sterling valuation of investments and income flows, and losses as a result of the Group having not, or not effectively, hedged its risk	• Exposure minimised by funding the German investment through euro denominated borrowings and hedging a large proportion of the remaining investment through derivatives • Regular monitoring of the effectiveness of hedging and performance of derivative contracts
Interest rate exposure risks		
• Exposure to rising or falling interest rates	• If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken • Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences	• Regular monitoring of the performance of derivative contracts and corrective action taken where necessary • Use of alternative hedges such as caps
Other risks		
Tax risks		
• Exposure to changes in tax legislation or the interpretation of tax legislation • Potential exposure to tax liabilities in respect of transactions undertaken where the tax authorities disagree with the tax treatment adopted	• Tax related liabilities and other losses could arise	• Expert advice taken on tax positions and other regulations • Maintenance of a regular dialogue with the tax authorities

Risk	Impact	Mitigation
Other risks (continued)		
Regulation risks		
• Exposure to changes in existing or forthcoming property related or corporate regulation	• Failure to comply could result in financial penalties, loss of business or credibility.	• Management undertake training to keep aware of regulatory changes • Expert advice taken on complex regulatory matters
Loss of key management		
• Dependence of the Group's business on the skills of a small number of key individuals	• Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce the effectiveness with which the Group conducts its business	• Key management are paid market salaries and offered competitive incentive packages to ensure their retention • New LTIP awards made in 2013 • Succession planning for key positions is undertaken • Performance evaluation, training and development programmes are in place to maintain and enhance the quality of staff

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

Significant Contracts or Arrangements

The Company is required to disclose any contractual or other arrangements which it considers are essential to its business.

- The asset and property management agreement in relation to The Mall is considered to be essential for the Company, because of the fee income it generates for the Company's subsidiary CRPM and the significant influence it allows the Group to assert over its investment. The asset and property management agreement for the German portfolio is also considered to be essential for the Company because of the fee income it generates for the Garigal associate, and the significant influence it allows the Group to assert over the investment.
- The Bank of Scotland £25.0 million central credit facility which provides the Group with liquidity.
- The Company also acts as a guarantor of this central credit facility.

These agreements could potentially be terminated in the event of a change of control of the Company as disclosed in the Directors' report.

Board of Directors

Hugh Scott-Barrett
Chief Executive

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

Kenneth Ford
Executive Director

Ken Ford has been involved in commercial real estate for over 30 years and has been an Executive Director of Capital & Regional Plc since 1997. At C&R he has responsibility for the development of new business initiatives and has oversight of the Group's joint ventures. Ken has a BSc in Land Economics and is a Fellow of the Royal Institute of Chartered Surveyors.

John Clare CBE
Chairman[1,2,4]

John was Group Chief Executive of Dixons Group plc between 1993 and 2007 and a non-executive Director of Hammerson plc between 1988 and 2009. He was also Chairman of JobCentrePlus between 2006 and 2012 and Chairman of Dreams Plc between 2008 and 2011. John was appointed as a director and Chairman of the Company in 2010. He is also Chairman of the Nomination Committee.

Charles Staveley
Group Finance Director

Charles 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 the Group he was Head of Tax and Treasury at Colt Telecommunications, prior to which he held roles with various other companies including De La Rue plc, Textron Inc and Novar plc.

Mark Bourgeois
Executive Director [3]

Mark began his career in audit at KPMG; he then qualified as a Chartered Surveyor with Donaldsons, where he became partner in charge of the London Shopping Centre Management team. In 1998 he joined Capital & Regional, and has been responsible for managing the shopping centre business since 2009. Mark was appointed to the Board in August 2013.

Neno Haasbroek
Non-executive Director

Neno was a co-founder and director of Attfund Limited (one of the largest private property investment companies in South Africa) until the company was restructured and sold to Hyprop Investments Limited (a company 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 a number of other companies, including The Karoo Investment Fund. He has a BSc Building Science degree from the University of Pretoria and an MBA from the University of the Witwatersrand. Neno was appointed a director of the Company in 2009.

Philip Newton
Senior Independent Non-executive Director [1,2,3,4]

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

Louis Norval
Non-executive Director

Louis was a co-founder, Executive Chairman and Chief Executive of Attfund Limited (one of the largest private property investment companies in South Africa) until the company was restructured and sold to Hyprop Investments Limited (a company listed on the Johannesburg Stock Exchange in South Africa) on 1 September 2011. He was appointed a non-executive director on the board of Hyprop Investments Limited. Louis is also Managing Director of the Parkdev Group of Companies, and serves on the board of a number of other companies. He graduated in BSc (QS) (with distinction) from the University of Pretoria. Louis was appointed a director of the Company in 2009.

Tony Hales CBE
Non-executive Director [1,2,4]

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

1 Member of the Audit Committee
2 Member of the Remuneration Committee
3 Member of the Responsible Business Committee
4 Member of the Nomination Committee

Introduction

The directors have pleasure in submitting their annual report and financial statements for the year ended 30 December 2013.

Business review

Information on the Group's business, which is required by section 417 of the Companies Act 2006, can be found in the Strategic Report on pages 2 to 43 which is incorporated in to this report by reference.

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

Financial

The results for the year are shown in the Group income statement on page 77.

An interim ordinary dividend of 0.25p per share was paid on 27 September 2013. The directors recommend a second interim ordinary dividend of 0.40p per share, making a total of 0.65p per share for the year to 30 December 2013. The proposed second interim dividend will be paid on 11 April 2014 to shareholders on the register at the close of business on 14 March 2014.

Corporate governance

A report on corporate governance and compliance with the provisions of the UK Corporate Governance Code, which forms part of this Directors' report, is set out on pages 66 to 72.

Report on Greenhouse gas emissions

Global Greenhouse Gas (GHG) emissions data for period 1 January 2013 to 31 December 2013	Tonnes of carbon dioxide equivalent (tCO_2e)
Combustion of fuel and operation of facilities (Scope 1 emissions)	2,437.56
Electricity, heat, steam and cooling purchased for operational use at our facilities (Scope 2 emissions)	12,854.61
Emissions intensity based on tCO_2e for every 1000 sqft of net lettable area	2.955

We have followed the UK Government environmental reporting guidance and GHG conversion and emission factors for company reporting 2013. We have used the operation control approach. We have not reported scope 3 emissions and excluded our German interests.

Further details in respect of our commitments to sustainability are contained in the responsible business report contained on pages 31 to 39.

Directors

The names and biographical details of the present directors of the Company are given on pages 44 to 45. Mark Bourgeois was appointed on 14 August 2013.

Xavier Pullen resigned as a director on 30 December 2013. All other directors, who served throughout the year, will retire and, being eligible, offer themselves for re-election at the 2014 Annual General Meeting.

Directors' interests in the share capital and equity of the Company at the year end are contained in the remuneration report on page 65. No director had a material interest in the share capital of other Group companies during the year.

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

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

Substantial shareholdings

In addition to the interests of the directors, the Company has been notified pursuant to Section DTR5 of the FSA Disclosure & Transparency Rules of the following notifiable interests in its issued ordinary share capital at 18 March 2014 (the latest practicable date prior to the issue of this report):

	Number of shares	%
PDI Investment Holdings	82,505,610	23.59
Henderson Global Investors	47,869,383	13.69
Standard Life Investments	34,843,641	9.96
Morgan Stanley Investment Management	25,498,033	7.29
Pinelake International	18,924,243	5.41
APG Asset Management	15,820,147	4.52
Legal & General Investment Management	11,627,199	3.33

Capital structure

The Company has one class of ordinary shares of 1 pence each with equal voting rights. In addition, the trustees of the Long Term Incentive Share Scheme have the right to vote on behalf of the Group's employees. Further information is given in notes 23 and 24 to the financial statements.

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

- The £25 million core revolving credit facility can be called in if there is a change of control of the Company, which is defined to be either the Company ceasing to hold not less than 100% of the issued share capital and voting rights of the borrower, or 50% of its issued share capital being held by or on behalf of a single entity or group, or 30% of the issued share capital being held by or on behalf of a single entity or group and more than 50% of the directors immediately following the completion of the Amendment and Restatement of the current facility in August 2012, ceasing to be directors at the time the 30% limit is breached. If this occurs the bank has the right to repayment of the loan. In the case of Parkdev, the 30% limit is ignored if their holding exceeds 30% and no mandatory takeover offer is required as a result of a whitewash resolution being passed.
- In addition, certain taxes could be potentially levied, and certain tax losses could be lost in some circumstances where there are varying degrees of change of ownership of the Group's shares.
- The Mall Fund has the right to remove CRPM as asset and property manager of the fund if there is a change of control of Capital & Regional plc. The Mall General Partner board has discretion whether to trigger this provision and it has indicated that it will not exercise its discretion to enforce this provision were it to come about. In addition, this provision will be removed upon the refinancing of the Mall Bond.

Purchase of own shares

Under authorisation from shareholders received at the 2012 AGM the Company bought back 923,958 shares between 23 January 2013 and 13 March 2013.

The Company was again authorised by shareholders at the 2013 AGM held on 5 June 2013 to purchase up to a maximum of 10.0% of its ordinary shares in the market. This authority will expire at the 2014 AGM and the directors will be seeking a new authority for the Company to purchase its ordinary shares, which will only be exercised if market and financial conditions make it advantageous to do so.

On 5 June 2013, the Company also obtained a waiver under Rule 9 of the City Code on Takeovers and Mergers such that if the AGM authority were exercised in full, the aggregate holding of Parkdev International Asset Managers Pty Limited and their related parties (the "Concert Party") would represent 32.5455% of the issued share capital. This waiver will expire at the 2014 AGM. The directors do not plan to seek a further waiver at that meeting.

Articles of association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Shares acquired during the year

The Capital & Regional Employee Share Ownership Trust did not acquire any shares in 2012 (2011: nil). Details are set out in note 25 to the financial statements.

Use of financial derivatives

The use of financial derivatives is set out in note 22 to the financial statements.

Political donations

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

Employees

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

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

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

At 30 December 2013 the total number of employees was as follows:

Employees	Male	Female	Total
Directors[1]	9	—	9
Employees — CRPM	37	28	65
Employees — Snozone	165	77	242

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

Human rights

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

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

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

Going concern

The strategic review discusses the Group's business activities, together with the factors likely to affect its future development, performance and position and sets out the financial position of the Group, its cash flows and liquidity. Note 22 of the financial statements sets out the Group's objectives, policies and processes for managing capital and its financial risk management objectives, together with details of financial instruments and exposure to credit risk and liquidity risk.

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

Auditor's information

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

By order of the Board

Stuart Wetherly
Company Secretary
20 March 2014

Registered Company name: Capital & Regional plc

Registered Company number: 1399411

Registered office: 52 Grosvenor Gardens, London SW1W 0AU

Statement of Directors' Responsibilities

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

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

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the Directors' Report (including the Corporate Governance Report), and the Directors' Remuneration Report in accordance with the Companies Act 2006 and applicable regulations, including the Listing Rules and the Disclosure and Transparency Rules.

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Hugh Scott-Barrett
Chief Executive

Charles Staveley
Group Finance Director

20 March 2014

Information not subject to audit: Annual Statement

Philip Newton
Chairman of the Remuneration Committee

Dear Shareholder
On behalf of the Board, I am pleased to introduce this report to you on the Remuneration Committee's activities and priorities throughout the year ending 30 December 2013.

Executive remuneration remains a lively issue and the committee has kept closely in touch with developments, recognising that this is a key issue for investors, employees and other stakeholders. The committee has always sought to provide transparency in its reporting, we have updated this report in line with the new Department for Business, Innovation and Skills regulations and aim to continue to develop our processes for linking reward and performance for executive directors.

2013 was another challenging year for the commercial property market, notwithstanding this, the Company has made significant progress in meeting its stated strategic objectives:

- Disposal of Great Northern and Hemel Hempstead to allow the recycling of cash and repayment of all on-balance sheet debt
- Strengthening our position within The Mall Fund through purchase of units increasing Group Share from 20.15% to 29.26%
- Sale of two further Mall assets in preparation of the refinancing of the CMBS
- Share price growth from 28.5p at 30 December 2012 to 43.6p at 30 December 2013
- Resumption of dividend payments to shareholders in September 2013

The committee recognises that the business is continuing through this transitional phase and that much has been achieved in the execution of the growth strategy. The committee is of the view that throughout this challenging period the management team have continued to deliver a strong set of operational results.

This report covers the remuneration policy employed in the year ended 30 December 2013; the policy that will apply for the forthcoming financial year; and how the policy has been implemented over the past financial year.

Our policy is structured to balance driving our strategic objectives; delivering increased shareholder returns and providing sufficient levels of remuneration and reward to attract and retain our executive directors. The committee believe that this remuneration policy structure is appropriate for Capital & Regional.

We have maintained our policy of total compensation for executive directors at the median or above against our comparator group, with appropriate upward and downward variability based on performance. However, the committee is mindful of the pay restraint that continues to be exercised throughout the business and fully considers the pay and conditions of all our employees when setting remuneration for our most senior executives.

We continue to keep executive pay under review, to ensure it remains aligned with the long term interests of shareholders. A detailed review of our Executive Directors remuneration was undertaken with benchmarking against a relevant comparator group; we undertake this benchmarking review on an annual basis and will alter or extend the comparator group in order that it remains entirely suitable. Details of the comparator group are on page 57.

Executive Directors basic salaries have again been held for 2014 and have been since 2012; more information on this is available on page 62. LTIP awards were made to the Executive Directors in 2013 to reflect the progress detailed above.

After over 25 years, Xavier Pullen resigned as a Director of the business on 30 December 2013. A loss of office payment was made within the remuneration policy. Mark Bourgeois was appointed as an Executive Director with effect from 13 August 2013 following 15 years with the company, most recently as Managing Director of Shopping centres. The new remuneration package is fully in line with the policy.

The committee consulted with our key shareholders last year, specifically, on the restructuring of the LTIP scheme and annual bonus levels and will continue to consult as required.

The policies set out in the 2012 Directors Remuneration Report received a vote in favour of 76.8% of votes cast at the AGM and I thank shareholders for their continued support.

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

Shareholders will be invited to approve this Report and vote on the Policy at the Annual General Meeting of the Company on 14 May 2014 to apply until the 2015 AGM.

Philip Newton
Chairman of Remuneration Committee

Directors' Remuneration Policy

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

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). This report sets out the Company's current remuneration policy, as applied in 2013 and to be applied for 2014 and beyond. A binding resolution to approve this report will be put to shareholders at the forthcoming AGM. In terms of an approved policy, it will take effect from the date it is approved by shareholders until the 2015 AGM.

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

The Remuneration Committee

Philip Newton Chairs the Remuneration Committee; he is the Senior Independent Director. He was appointed Chairman on 5 June 2013 taking over from Tony Hales. Tony Hales remains a member of the committee.

John Clare was appointed to the committee on 4 February 2013 and although not classified as an independent non-executive director for the purposes of the UK Corporate Governance Code, as he is the Chairman of the Board, he was independent when he was appointed as Chairman. The other members were and remain independent non-executive directors.

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

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

The committee engaged independent remuneration advisers PricewaterhouseCoopers to provide advice specifically in relation to the new LTIP issue, fees charged during 2013 were £27,375.

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

Summary of performance and remuneration year ended 30 December 2013

Business performance components

	2013	2012
NAV per share	**54p**	51p
EPRA NAV per share	**56p**	55p
Total shareholder return	**53.9%**	(9.5)%
Proforma Group net debt[1]	**–**	13%
Proforma see-through net debt to property value[1,2]	**52%**	55%
Recurring pre-tax profit	**£14.0m**	£17.0m
Profit/(loss) for the year	**£9.1m**	£(16.0)m
Share price at year end	**43.6p**	28.5p

1 2013 adjusted for £8.4 million Hemel Hempstead net proceeds, received in February 2014. 2012 figure adjusted for £30.6 million X-Leisure proceeds received in January 2013. See Note 22a in the Financial Statements for figures pre-adjustment.

2 See-through debt and see-though net debt divided by IFRS property value as disclosed in Note 22a to the Financial Statements.

Remuneration philosophy and principles

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

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

How the committee sets remuneration

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

The committee benchmarks remuneration against our selected comparator group companies (See page 57) and ensures that directors fixed compensation is around the median in the comparator group.

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

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

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes in the year
Base salary ***Median or above*** • To aid recruitment, retention and motivation of high quality people • To reflect experience and importance of role	Reviewed annually 1 January to reflect: • general increases throughout company or changes in responsibility • benchmarking against comparator group to ensure salaries are at the median level and market competitive • any new director appointment may be at a salary level discount to reflect experience at that point, the committee may increase it over time on the evidence of performance achievement and market conditions • changes in a directors role may require adjustment	n/a	n/a	• No changes to policy • No increase for directors in 2013 • Increase in wider workforce of 2.7% overall • Mark Bourgeois appointed on 13 August 2013 at a salary reflecting this policy

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes in the year
Pension ***Median*** • To help recruit and retain high quality people • To provide an appropriate market competitive retirement benefit	The company does not operate a pension scheme, all pension benefits are paid either to defined contribution pensions schemes of each directors choice or a proportion as a cash supplement	CEO receives a pension allowance of 20% of basic salary All other directors receive 15% of basic salary	n/a	No change
Benefits ***Median*** • To aid recruitment and retention • To provide market competitive benefits • To provide protection for the company and directors	The company offers a package including: • private medical insurance • critical Illness cover • life insurance • permanent health insurance • holiday and sick pay Benefits are brokered and reviewed annually	n/a	n/a	No change
Annual bonus ***Median or above*** • To incentivise delivery of short term business targets and individual objectives based on annual KPIs • To recognise performance whilst controlling costs in reaction to the market context or company events	Annual bonus plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated company strategy	The maximum cash bonus is 100% of basic salary Targets calibrated so that maximum pay out would represent exceptional performance	Measures and weightings may vary from year to year depending on strategic priorities KPI's for 2013 were: 80% on Group objectives • NAV & EPRA NAV targets • Recurring profit • Sales of specific assets at growth target NAV • Execution of Mall Fund strategy 20% on Individual objectives	2012 weightings were 75% group financial and business targets and 25% individual targets This was changed to 80%:20% for 2013 No change for 2014

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes in the year
SAYE Median To encourage all employees to make a long term investment in the company's shares in a tax efficient way	All eligible employees including executive directors, can: • contribute up to £250 per month into a savings contract for between 3 and 5 years • at the end of the period exercise their option to buy ordinary shares, at the exercise price as determined at the point of grant • or may withdraw their contributions with accrued interest or any bonus • the gain is free of income tax	n/a	n/a	No change
Executive shareholding guidelines To support alignment of Executive Directors with shareholders	Executive directors: • are encouraged to own shares with a value set at a percentage of base salary • deferred or other unvested share awards not subject to performance conditions can count towards the guideline	All executive directors encouraged to build shareholding to 1 x basic annual salary value based on the aggregate purchase price of the shares	n/a	No change

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes in the year
LTIP ***Median*** • To reinforce delivery of long-term business strategy and targets • To align participants with shareholders' interests • To retain directors and senior team over the longer term	Awards levels and grant conditions are reviewed in advance to ensure appropriate Awards are based on achieving share price target at end of three year period, based on the average share price (adjusted for distributions paid) over the 30 day period prior to the date of vesting Shareholder consultation was undertaken through 2012 ahead of the awards being made in August 2013 An adjustment of the awards may be made in line with the scheme rules in the event of a capital raising or any other event that would have a dilutory impact	Plan provides annual awards of shares of up to 150% of salary and 200% in exceptional circumstances	• Share price target range • 25% of award will vest at threshold level set and 100% will vest at maximum level set • Vesting between these points is on a straight line basis Committee can exercise discretion to allow full vesting if: • the performance targets have been met in advance of the full performance period as a result of a significant liquidity event • the liquidity event does not give rise to early vesting but instead results in an executive leaving employment A deferral / holding period applies: • vested awards will not be capable of exercise for a period of at least 12 months following vesting (with potential exceptions in the case of a liquidity event) Claw back Policy applies Details of the performance conditions are available on pages 63–65	Awards made in 2010 matured in June 2013 but did not meet performance targets. 2013 awards granted: CEO — 200% of salary Other Executive directors — 150% 2013 awards also made to a group of senior managers 2014 awards proposed: CEO — 150% Other Executive directors — 100% 2014 awards also to senior manager group

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes in the year
Fees ***Median***	The Chairman and Non-Executive Directors fees are set by the Board taking into account: • the time commitment responsibilities • committee roles • skills and experience	Current fees are set out in the table on page 62	n/a	No change

Employee Context

The committee ensures that employee's remuneration across the company is taken into consideration when reviewing executive remuneration policy although no direct consultation is performed. The committee reviews internal data in relation to every level of job and performance and is satisfied that the level of remuneration is appropriate.

Comparator group

The committee reviewed its comparator group in 2013 to ensure that it remained appropriate for the company and is published here for the first time. The majority of the companies represented form part of the Numis UK Real Estate Valuation Sheet; factors taken into account when selecting the comparator group included:

- The nature of the real estate specialism
- The geographic spread of the business throughout the UK
- The nature of the executive team
- Market capitalisation and property valuation
- Number of employees

The committee recognises that too dedicated following of comparators can lead to executive remuneration constantly rising above the wider employee compensation levels. Therefore the comparator group is used as a guide to set parameters and in this context is only one of a number of factors taken into account when determining the level and elements of remuneration policy. The comparator group will be reviewed on an annual basis.

The constituents of the Comparator Group for 2013 were:

- Capital & Counties
- CLS Holdings
- Derwent London
- Grainger
- Great Portland Estates
- Hansteen
- Helical Bar
- Intu Properties
- Land Securities Group
- Mucklow
- New River
- Quintain
- Safestore
- Savills
- UNITE Group
- Workspace Group

Claw back Policy

The committee has claw back arrangements in place for the LTIP awards. The committee have the discretion to reduce or cancel any outstanding awards that have matured but not vested in any of the following situations:

C&R's financial statement or results being negatively restated due to the Executive's behaviour

- A participant having deliberately misled management or the market regarding company performance
- A participant causing significant damage to the company
- A participant's actions amounting to serious/gross misconduct

Directors service agreements and letters of appointment

Details of the service contracts of the Executive Directors and the Non-Executive Directors are as follows:

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

Recruitment of Executives

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

The maximum level of variable remuneration for new joiners in year one of joining will be 150% of salary, excluding any share awards that may be granted but will not vest in the first year of joining.

Exit payment policy

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

— In normal circumstances the Executive Director will work their notice period and receive usual remuneration payments and benefits during this time. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of the LTIP scheme.

— In the event of the termination of an Executive Director's contract and the Company requesting the executive cease working immediately, either a compensation for loss of office payment will be made or a payment in lieu of notice plus benefits may be made. The value of the compensation for loss of office will be equivalent to the contractual notice period, pension and benefits value.

— The Executive Director may also be considered for a performance related pay award upon termination. The financial performance of the Company and meeting of KPIs and targets is the prime driver for determining whether to make and award and the quantum. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of a pro rata cash bonus award.

— In the event of termination for gross misconduct, misrepresentation of the business or restatement of the financial statements of the company due to the Executive's behaviour neither notice nor payment in lieu of notice will be given and the Executive will cease to perform their services with immediate effect.

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

Executive Directors' Contracts

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

External Appointments

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

Executive	Appointment
H Scott- Barrett	Non-Executive Director GAM Holding AG Non-Executive Director The Goodwood Estate Company Ltd
K Ford	—
X Pullen	Non-Executive Director Brandeaux
C Staveley	—
M Bourgeois	—

Non-executive Directors

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

Details of the fees received by each non-executive director can be found within the audited information on page 62. The Senior Independent Director and Chairman of the Audit and Remuneration Committees received an additional fee of £5,000 per annum.

Senior Management

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

Remuneration Policy in 2014

The committee is not proposing any changes to the remuneration structure in 2014 however it does aim to further develop the link between performance and reward in any way it can and taking into account best practice as it evolves within the field of executive remuneration. We will continue to consult with key shareholders on these matters.

Salary

A benchmarking exercise was completed against our updated comparator group. Executive Directors' salaries have been held since 2012 and remain aligned at the median level.

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

— Salary levels of the comparator group

— Performance of the executive director

— Performance and development of the business

— Directors experience and responsibilities

— Pay and condition throughout the business

— Pay and conditions throughout our sector and other relevant recruitment sources

The above considerations were discussed and applied on the appointment of M Bourgeois in August 2013.

The Remuneration Committee has access to information and benchmarking research on the pay and conditions of other employees in the Company when determining remuneration for the Executive Directors. The Remuneration Committee actively considers the relationship between general changes to employees pay and conditions and any proposed changes to Executive Directors remuneration. Employee pay levels were reviewed and benchmarked and a total 2.7% increase was awarded for 2014 with effect from 1 January 2014.

Annual bonus

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

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

— NAV;

— EPRA NAV;

— NRI;

— recurring profit growth;

— valuation metrics;

— valuations on disposal;

— returns from sales of assets;

— execution of strategic objectives;

— relationship management;

— leadership and management metrics;

— TSR/shareholder returns, budget; and

— strategic plan achievement.

The committee set challenging targets within the objectives bandings for 2013 which required stretching levels of performance in order for any bonus to be earned. The Committee has assessed performance against the bonus criteria and determined that the thresholds detailed below have been met in respect of on target performance.

Benefits

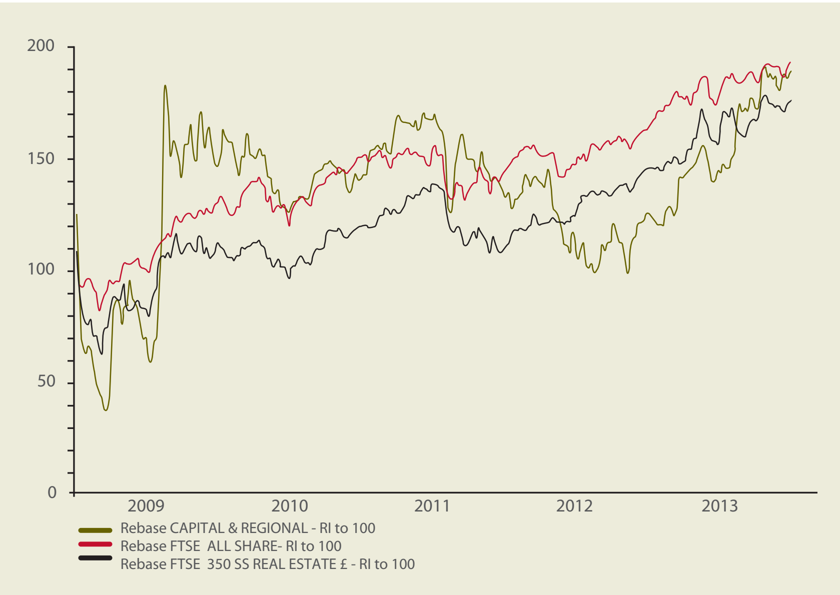
The Company makes available the normal benefits in kind for Executives of their level such as private healthcare, permanent health insurance, life insurance and critical illness cover. The benefits policy position is at the median range.

Pension

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

Performance graph

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



CEO remuneration	2009 £'000	2010 £'000	2011 £'000	2012 £'000	**2013 £'000**
Total remuneration (£'000)	402	302	536	765	**651**
Annual Bonus (% of max)	—	—	70%	69%	**40%**
LTIP (% of max)	—	—	—	—	**—**

Percentage increase in remuneration in 2013 compared with remuneration in 2012

	CEO	**Employee group**
Salary	0%	2.7%
All taxable benefits	0%	0%
Annual bonuses	(42)%	16.0%
Total	(15)%	4.1%

Average compensation per employee for 2013 was £75,649 compared to £68,417 in 2012.

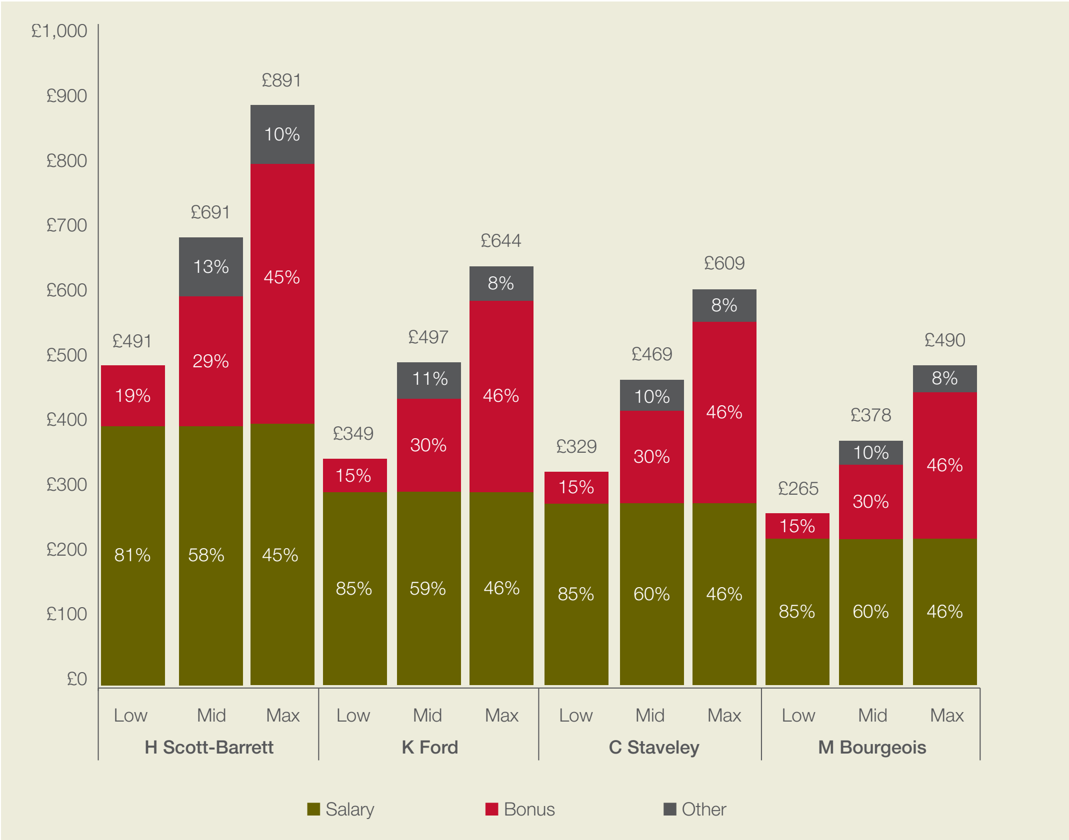
Total Compensation

The following chart shows the value of each of the main elements of the remuneration package for each of the executive directors potentially available in 2014 dependant on performance scenarios.

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

There are no LTIP awards that are anticipated to vest in 2014.

All figures in £'000



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

	2013 £m	2012 £m	%
Total Directors remuneration	2.8	2.6	7.7
Total Directors remuneration excluding loss of office	2.4	2.6	(7.7)
Staff costs excluding Directors[1]	7.5	9.2	(18.4)
Dividends and share buybacks	2.5	—	n/a

1 Staff costs per Note 8 excluding Directors and social security costs and share based payments.

The reduction in staff costs reflects the reduction in staff numbers across the year as shown in Note 8 to the financial statements.

Consultation and shareholders views

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

Shareholder voting to approve the Directors' Remuneration Report at 5 June 2013 AGM:

Votes for (including discretionary votes)	% of votes cast	Votes against	% votes cast	Total number of votes cast	Number of votes withheld
217,231,359	76.78	65,699,665	23.22	282,931,024	5,864,872

Committee evaluation

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

Audited information:

Remuneration outcomes during 2013

The table below sets out the remuneration received/receivable in relation to the year ended 30 December 2013.

£'000	Salary/Fees		Taxable benefits [iii]		Other benefits[iv]		Pension [vii]		Annual bonus		LTIP		Loss of office		Total	
Executive Director	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
H Scott-Barrett	**400**	400	**4**	4	**8**	7	**79**	78	**160**	276	**—**	—	**—**	—	**651**	765
K Ford	**295**	295	**6**	4	**4**	5	**44**	44	**118**	155	**—**	—	**—**	—	**467**	503
C Staveley	**280**	280	**3**	3	**4**	4	**42**	42	**112**	165	**—**	—	**—**	—	**441**	494
M Bourgeois[i]	**86**	—	**1**	n/a	**1**	n/a	**9**	n/a	**34**	n/a	**—**	—	**—**	—	**131**	n/a
X Pullen[ii]	**295**	295	**5**	3	**4**	6	**52**	52	**118**	148	**—**	—	**357**	—	**831**	504
Total	**1,356**	1,270	**19**	14	**21**	22	**226**	216	**542**	744	**—**	—	**357**	—	**2,521**	2,266
Chairman and Non-Executive Directors																
J Clare (Chairman)	**125**	125	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**125**	125
L Norval	**40**	40	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**40**	40
N Haasbroek	**40**	40	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**40**	40
P Newton[v]	**45**	45	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**45**	45
T Hales[vi]	**45**	43	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**45**	43
Total	**295**	293	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**295**	293
Total	**1,651**	1,563	**19**	14	**21**	22	**226**	216	**542**	744	**—**	—	**357**	—	**2,816**	2,559

(i) Appointed 13 August 2013.

(ii) Contract ended 30 December 2013, payment for loss of office detailed on page 65.

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

(iv) Includes life insurance and permanent health insurance.

(v) Receives an additional fee of £5,000 as Chair of the Remuneration Committee.

(vi) Receives an additional fee of £5,000 as Chair of the Audit Committee.

(vii) Includes amounts paid in lieu of pension.

Basic Salary % level growth chart for all Executive Directors:

	2014		2013		2012		2011		2010		2009
	£'000	**%**	£'000	%	£'000	%	£'000	%	£'000	%	£'000
H Scott-Barrett	**400**	**—**	400	—	400	27.8	313	4.3	300	-11.8	340
K Ford	**295**	**—**	295	—	295	13.0	261	4.4	250	-11.4	282
C Staveley	**280**	**—**	280	—	280	7.3	261	4.4	250	-3.9	260
M Bourgeois[i]	**225**	**—**	225	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
X Pullen[ii]	**—**	**n/a**	295	—	295	41.2	209	4.5	200	-31.5	292

i. Appointed 13 August 2013, table for 2013 shows full basic annual salary.

ii. Resigned 30 December 2013.

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

Following expiry of the two year voluntary reduction in executive director salaries on 1 January 2012, the Committee considered it was appropriate to conduct a review of executive director salaries. This review used external benchmarking data to ensure that executive director salaries are in line with current market rates for similar sized listed property companies and director experience. There has been no increase to executive director's salaries since 2012.

2013 bonuses and achievement of objectives:

	Total % awarded for 2013	**Bonus paid 2013 £'000**	Maximum achievable £'000
H Scott-Barrett	40	**160**	400
C Staveley	40	**112**	280
K Ford	40	**118**	295
M Bourgeois[(i)]	40	**34**	86
X Pullen	40	**118**	295

(i) Appointed 13 August 2013 — bonus and total amounts relate to time since appointment as a director.

In 2013, management's financial objectives were structured around achievement of the following:

(i) Group financial objectives (Net Asset Value and recurring profit);

(ii) Realisation of value from German investments;

(iii) Sale of Non-Core assets; and

(iv) Execution of on-going and future strategy.

A pay-out ratio of 40% reflects a year of progress although the final value of asset sales have yet to be realised and as a consequence were not recognised in this year's Bonus consideration. We do not publish details of the thresholds and targets in advance as these are commercially confidential.

The annual bonus structure for 2014 will be on the same 80%:20% structure of Financial and Business Objectives: Individual Objectives as 2013.

Share Awards (LTIP)

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

The performance period for the LTIP awards made in 2010 ended on 14 June 2013. The award was subject to a minimum TSR performance condition of 12% growth per annum. As this was not achieved the awards lapsed.

The remuneration Committee granted the following LTIP awards to Executive Directors on 16 August 2013. A small group of management also received an award. The performance period for the awards is three years from the date of grant although there is then a further one year deferral period before the awards can be exercised.

	Shares	% of salary
H Scott-Barrett	2,038,216	200
K Ford	1,127,388	150
C Staveley	1,070,063	150
M Bourgeois	859,872	150

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

Performance Target	% vesting	H Scott-Barrett £'000	K Ford £'000	C Staveley £'000	M Bourgeois £'000
At 30 Dec 2013 share price[1]	34.7	308	171	162	130
At Maximum vesting (70p)	100.0	1,427	789	749	602
At threshold vesting (40p)	25.0	204	113	107	86

1 Share price of 43.6p plus cumulative dividend of 0.25p per share (paid in September 2013).

The committee engaged and consulted with key shareholders and considered current market practice ahead of the above award. This was the first of a rolling annual cycle of LTIP awards linked to performance targets measured over a three year period. The 2013 awards fell within the individual limits of the rules of the scheme. Awards were also made to a small group of senior managers.

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

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

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

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

If such an event occurs within the three year performance period which causes the awards to vest early (eg takeover or a significant liquidity event with a return of cash to shareholders) and the TSR performance target has been met at that time of as a result of the transaction, the level of the vesting will not reduce to take account of the length of the performance period remaining. Although any final decision will be taken based on the circumstances at the time and the committee intends to exercise discretion to allow full vesting if the performance target have been met in full. If the performance target is met in part, the vesting schedule would be followed through again and no proration of the awards would apply.

The same approach will be adopted if the liquidity event does not give rise to early vesting under the rules but instead results in an executive leaving employment.

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

In the event of a capital raising or any other such event that would have a dilutory impact upon the awards the Remuneration Committee may, in line with the scheme rules, adjust the awards granted to take account of this.

A deferral/holding period will apply to vested LTIP awards. Vested awards will not be capable of exercise for a period of 12 months following vesting (this will not apply in the case of a liquidity event within three years.)

The Company's claw back provisions apply during the 12 month deferral/holding period where the level of vesting may be reduced, including to nil.

It is planned that a further grant of the LTIP will be made in 2014 at the following levels:

	% of salary
H Scott-Barrett	150%
K Ford	100%
C Staveley	100%
M Bourgeois	100%

It is planned that a small group of key management will also receive an award.

The number of shares will be determined by the share price at the date the grant is made.

The awards will be subject to similar absolute performance targets as the 2013 award with a threshold of 60p and 100% vesting at 85p over a three year period. A deferral/holding period will apply such that 50% of vested awards will not be capable of exercise for a period of 12 months following vesting with the other 50% not being capable of exercise for a further 12 months after that (this will not apply in the case of a liquidity event within three years.)

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

Payment for loss of office

Xavier Pullen's contract ended on 30 December 2013. The committee chose to exercise its right to make a loss of office payment of £356,845 and an annual bonus of £118,000. The loss of office payment was equivalent to one year's salary of £295,000 and pension and other benefits of £61,845. X Pullen has no ongoing entitlements under the company's LTIP scheme.

Executive Share Ownership Requirements

The committee believes that the interests of executives should closely align with shareholders. Accordingly all executive directors are encouraged to build up and maintain a minimum shareholding equivalent to one year's basic salary based on aggregate purchase price.The table below demonstrates the shareholding status as a percentage of salary or fee:

Executive Directors	Time from appointment	Target % of salary or annual fee	Target currently met?
H Scott-Barrett	5 years 9 months	100	Yes
C Staveley	5 years 2 months	100	Yes
K Ford	17 years 7 months	100	Yes
X Pullen (resigned 30 December 2013)	21 years 2 months	100	Yes
M Bourgeois (appointed 13 August 2013)	4.5 months	100	No

Interests in shares

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

	30 December 2013 Shares	30 December 2012 Shares
H Scott-Barrett	**1,352,055**	1,202,055
K Ford	**1,679,432**	1,851,710
C Staveley	**283,121**	283,121
M Bourgeois	**215,000**	n/a
X Pullen (resigned 30 December 2013)	**1,914,854**	1,914,854
J Clare	**296,300**	224,350
N Haasbroek	**102,042,913**	102,042,913
L Norval	**102,427,163**	102,427,163
P Newton	**163,800**	163,800
T Hales	**150,000**	50,000

L Norval and N Haasbroek are each beneficially interested in the shares registered in the name of PDI Investment Holdings Limited and Pinelake International Limited.

On 3 January 2014 Ken Ford sold 100,000 shares reducing the number of shares he has a beneficial interest in to 1,579,432.

Philip Newton
Chairman of Remuneration Committee

John Clare
Chairman

Chairman's introduction

I am pleased to present the Board's Annual Report on corporate governance.

We know how important it is to maintain good corporate governance standards which we see as a fundamental part of the Board discharging its stewardship responsibilities. The Board remains committed to high standards of corporate governance which it considers to be central to the effective management of the business and to maintaining the confidence of investors.

The report which follows explains how we have applied the principles of good corporate governance advocated by the UK Corporate Governance Code 2012 (the Code) as they apply to smaller (i.e. non FTSE 350) companies.

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

John Clare CBE
Chairman

Application of the principles

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

Role of the Board

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

The Board has established a schedule of matters reserved for Board decision. This schedule details key aspects of the affairs of the Company which the Board does not delegate, including key strategic, operational and financial issues.

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

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

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

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

Board balance and independence

Details of the directors are set out before the Directors' report. The Board comprised of the Chairman, four executive directors and four non-executive directors except for the transitional period between Mark Bourgeois' appointment on 14 August 2013 and Xavier Pullen's resignation on 30 December 2013 where there were five executive directors.

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

Louis Norval and Neno Haasbroek as non-executive directors are not considered independent for the purposes of the Code, as they represent a significant shareholder of the Company.

Philip Newton continued to serve as the Senior Independent Director as required by the Code.

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

In the Company's view, the breadth of experience and knowledge of the Chairman and the non-executive directors' detachment from the day-to-day issues within the Company provide a sufficiently strong and experienced balance with the executive members of the Board. The breadth of experience attributed to the non-executive directors, allied to the management information provided by the Company, enables them to assess and advise the full Board on the major risks faced by the Company. The other commitments of the Chairman are detailed in the directors' biographies.

Information and professional development

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

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

Board evaluation

A formal process has been established, led by the Chairman, for the annual evaluation of the performance of the Board, its appointed committees and each director, to ensure that they continue to act effectively and efficiently and to fulfil their respective duties, and to identify any training requirements.

This process was led by the Chairman and each director completed an in-depth questionnaire which covered:

- performance of the Board (including consideration of how the Board works together as a unit);
- processes which underpin the Board's effectiveness (including consideration of the balance of skills,
- experience, independence and knowledge of the persons on the Board);
- strategy;
- performance of the Audit, Nomination and Remuneration Committees; and
- individual performance (giving consideration to whether each director continues to contribute effectively and show commitment).

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

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

Shareholder relations

The Company has always encouraged regular dialogue with its institutional shareholders and private investors at the AGM, and through corporate functions and property visits. The Company also attends road shows in Europe, and participates in sector conferences. In addition, following the announcement of final and interim results, and throughout the year, as requested, the Company holds update meetings with institutional shareholders. All the directors are accessible to all shareholders, and queries received verbally or in writing are immediately addressed. The directors are introduced to shareholders at the AGM each year and the non-executive directors and committee chairmen are clearly identified.

Announcements are made to the London Stock Exchange and the business media concerning business developments to provide wider dissemination of information. In particular, regular announcements of fund unit valuations provide an update on the progress of the business. Registered shareholders are sent copies of both the annual report and the interim report. The Group's website is kept up to date with all announcements, reports and shareholder circulars.

Financial reporting

The Group's annual report includes detailed reviews of the activities of the business, together with a detailed review of their financial results and financing position. In this way, and as required by the Code, the Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects.

Board meeting attendance in 2013

Scheduled 6 | Ad hoc 1 | Total 7

Attended by:

	Scheduled	Ad hoc	Total
J Clare	6	1	7
H Scott-Barrett	6	1	7
M Bourgeois(i)	1	1	2
K Ford	6	-	6
X Pullen	6	1	7
C Staveley	6	1	7
N Haasbroek	6	1	7
T Hales	6	1	7
L Norval	6	1	7
P Newton	6	1	7

(i) Mark Bourgeois was appointed on 14 August 2013. He was present at all of the meetings he was entitled to attend after this date. He also attended by invitation three of the five meetings in the year prior to his appointment.

Other meeting attendance

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

Attended by:

	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
J Clare	3	3	1	-
P Newton	3	4	1	3
T Hales	3	4	1	-
X Pullen	-	-	-	3

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

Internal control

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

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

The Group has undertaken a comprehensive risk and controls review for the year involving interviews with each divisional management team, which has identified the principal risks facing the Group and its individual divisions. An updated risk map and internal control matrix have been produced for each division in the Group, clearly outlining the principal risks and the actions being taken to manage those risks to the desired level. Each risk has been evaluated in terms of its impact on the business and the likelihood of it occurring, and responsibility for the management of each risk has been clearly identified.

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

- Defined organisational responsibilities and authority limits exist throughout the Group. The day-to-day involvement of the executive directors in the running of the business ensures that these responsibilities and limits are adhered to.
- Financial reporting to the Board with reports from the Fund Managers of The Mall, the Property and Asset Manager for the German portfolio and for the Group as a whole, including the preparation of budgets and forecasts, cash management, variance analysis, property, taxation and treasury reports and a report on financing.

The Group has established a whistleblowing policy to enable employees to raise issues of concern in relation to dishonesty or malpractice on an entirely confidential basis.

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

Remuneration Committee

The Remuneration Committee makes recommendations to the Board, within existing terms of reference, on remuneration policy and determines, on behalf of the Board, specific remuneration packages for each executive director. The statement of remuneration policy and details of each director's remuneration are set out in the directors' remuneration report on pages 50 to 65.

Nomination Committee

The Committee comprises of John Clare (Chairman), Philip Newton (appointed 4 February 2013) and Tony Hales. The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both executive and non-executive appointments to the Board. On an annual basis, the Nomination Committee also considers succession planning for the Board. The Board members are given an opportunity to meet the individual concerned prior to any formal decision.

Diversity

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

John Clare CBE
Chairman

Tony Hales
Chairman of the Audit Committee

Audit Committee

The Audit Committee is chaired by Tony Hales, Tony was appointed Chairman on 4 February 2013 having been acting Chairman since 31 August 2012. He is supported by Philip Newton and John Clare (appointed 4 February 2013). In line with the provisions of the Code, as they apply to smaller companies, the Committee included at least two independent non-executive directors for the entire year.

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

Responsibilities

The Committee's role is to assist the Board in discharging its duties and responsibilities for financial reporting, internal control and the appointment and remuneration of an independent external auditor. The committee is responsible for reviewing the scope and results of audit work and its cost effectiveness, and the independence and objectivity of the auditor.

The Committee is also responsible for reviewing the Group's arrangements on whistle blowing, ensuring that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action.

The terms of reference of the Audit Committee are available for inspection on the Group's website.

Report on the Committee's activities during the year

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

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

a) reviewing the Group's draft 2012 and 2013 financial statements and 2013 interim results statement prior to discussion and approval by the Board, and reviewing the external auditor's reports thereon;

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

c) reviewing Deloitte LLP's plan for the audit of the Group's 2013 financial statements, receiving and reviewing confirmations of their independence and approving the terms of their engagement and proposed fees for the 2013 audit;

d) reviewing reports on internal control matters prepared by Management and external consultants

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

f) reviewing management's biannual Risk Review report;

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

h) receiving a presentation from Deloitte LLP on future Corporate Governance developments, the content of which was then shared with the full Board;

i) carrying out an annual performance evaluation exercise and noting the satisfactory operation of the committee.

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

Significant issues considered in relation to the financial statements

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

- *Investment property valuation* — At 30 December 2013 the Group's share of property assets held by its associates and joint ventures was £411.6 million (see Note 11b for further details). The valuation of investment property is inherently judgmental and involves a reliance on the work of independent professional qualified valuers. The Audit Committee considered the independence and qualifications of the valuers engaged and reviewed and challenged the valuations at each period end to understand the basis for them and the rationale for movements in the context of both the individual properties and the general property investment market.
- *Valuation of loan receivable in Euro B-Note Holding Limited* — At 30 June 2013 the Committee reviewed Management's rationale for impairing the loan receivable from £2.3 million to £nil (see note 16b for further details). This involved considering the factors impacting the Group's ability to recover value from the loan most critically the trading performance and valuation of the underlying portfolio of assets.
- *Performance fee recognition* — The Committee considered the basis and rationale for Management's conclusion that it was not yet appropriate to recognise as income any amounts potentially due from performance fee arrangements (see note 34 for further details). This involved understanding the conditions of the underlying agreements and the latest assessment of the relevant metrics under the respective agreements. (see note 34 for further details)
- *Classification of operations as discontinued* — In 2013 the results of the Group's Leisure segment, consisting of Great Northern Warehouse and Hemel Hempstead, were classified as Discontinued Operations (see Note 29 for further details). The Audit Committee reviewed Management's rationale for concluding that these operations met the definition as Discontinued Operations and in the case of Hemel Hempstead the classification as an asset held for sale at 30 June 2013 and 30 December 2013.
- *Going concern and covenant compliance* — The Committee reviewed, challenged and concluded upon the Group's going concern review including giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets and projections that underpin the review and a review of compliance with key financial covenants.
- *Impairment of inter-company investments and receivables* — Management perform an annual review of inter-company investments and receivables to determine the values to be maintained in the Plc Company only and individual subsidiary balance sheets. The Committee reviewed the movement over the year and the key assumptions particularly where balances were held with reference to value in use as opposed to net assets of the underlying entity.

Oversight of external auditors

The committee carried out a review of the effectiveness of the external audit process and considered the re-appointment of Deloitte LLP. The review covered amongst other factors, the quality of the staff, the expertise, the resources, and the independence of Deloitte LLP. The committee reviews the audit plan for the year carefully and subsequently considers how the auditor performed to the plan. They consider the quality of written and oral presentations and the overall performance of the lead audit partner.

The Audit Committee is also responsible for reviewing the cost-effectiveness and the volume of non-audit services provided to the Group by its external auditors. The committee refreshed its policy on the use of its external auditor for non-audit services to ensure complete clarity on the detail of services permitted and not permitted and those which might require the explicit prior approval of the committee. The Group does not impose an automatic ban on the Group's external auditors undertaking non-audit work, and details of fees paid to the Group's external auditors are detailed in note 7 to the financial statements. The Group's aim is always to have any non-audit work involving the Group's external auditors carried out in a manner that affords value for money and ensures independence is maintained by monitoring this on a case by case basis.

Finally, consideration was also given to the likelihood of a withdrawal of the auditor from the market and, it was noted that there were no contractual obligations which would restrict the choice of an alternative auditor.

The committee agreed that it was appropriate to recommend to the Board that Deloitte LLP be reappointed as auditor for a further year and, accordingly a resolution will be put to shareholders at the 2014 Annual General Meeting

Independence safeguards

In accordance with best practice and professional standards, external auditors are required to adhere to a rotation policy whereby the audit engagement partner is rotated at least every five years. The 2012 audit was the last year of Andrew Clark's tenure and he was replaced by Georgina Robb for 2013.

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

Internal Audit

The Group does not have an internal audit function but manages an ongoing process of control reviews performed either by staff, independent of the specific area being reviewed, or by external consultants when deemed appropriate. During the year the Committee reviewed reports on controls over the Group's supplier payments controls, IT and data security and compliance with the Group's gift and hospitality policy. The Committee also reviewed and agreed a plan and schedule for reviews covering the period to the end of 2014.

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

Whistleblowing

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

Tony Hales CBE
Chairman of Audit Committee

Independent auditor's report to the members of Capital & Regional plc

At 30 December 2013

Opinion on financial statements of Capital & Regional plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statements, the related notes 1 to 35, the Company Balance Sheet and the related notes A to G. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' Report on page 48 that the Group is a going concern. We confirm that:

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

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

Our assessment of risks of material misstatement

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

Risk	Our response
Property valuations Investment property valuation, specifically the assumptions and judgments used by management's third party valuers in deriving the property valuations. Changes in these assumptions and judgments could lead to significant movements in property values and consequently unrealised gains or losses in the income statement.	• We met with the third party valuers appointed by management for each component of the property portfolio and challenged the significant judgements and assumptions applied in their valuation model. We verified movements in occupancy rates, lease incentives, break clauses and yields and benchmarked the inputs against market data where available. • We assessed the integrity of the information provided to the valuers by management pertaining to rental income, purchasers costs and occupancy.
Going Concern and covenant compliance We consider the Group's liquidity position and the ability of its associates and joint ventures to meet their covenant requirements both during the year and for a period of one year from the date of signing.	• We challenged the judgements and assumptions applied by management in their going concern assessment and associated forecasts of financial performance, position and covenant compliance including examining, where appropriate, current business and economic trends and significant developments during and subsequent to the year ended 30 December 2013.

Auditor's Report continued

At 30 December 2013

Risk	Our response
Revenue recognition Revenue recognition, including the potential recognition and provision of management performance fees in respect of the property portfolios and accounting for lease incentives. The calculation of lease incentives involve complex computation and the recognition of performance fees requires judgement as to when the recognition criteria are met.	• We challenged the appropriateness of the Group's revenue recognition in respect of performance fees. We have agreed the required internal rate of return for the recognition of a performance fee for each management contract to the underlying agreement and compared it against the current forecast investment return based on the property valuations at 30 December 2013 and forecast value movements. • We have performed our audit testing for lease incentives by verifying the mechanical accuracy of calculations and agreeing inputs to the lease contacts.
Impairment of company only investments There is a risk of impairment of the investments and intercompany debtors in the Company balance sheet. There is a particular risk around the reasonableness of cash flow forecasts which support investments held at above net asset value in the subsidiaries.	• We have challenged management's investment impairment model and the cash flow forecasts employed therein. • We have ensured that forecasts employed are consistent with those used to support other judgements in the financial statements.

The Audit Committee's consideration of these risks is set out on page 71.

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

Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the Group to be £3 million, which is below 18% of Recurring Pre-tax Profit, and below 2% of equity. Recurring Pre-tax Profit is defined on page 89. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £60,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit	Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. • Our group audit scope focused primarily on the audit work on the major lines of business. These major lines of business are The Mall Limited Partnership, the Germany joint venture and Snozone Limited, which are individual IFRS 8 segments as disclosed in note 3. Other major lines of business for scoping purposes include the Kingfisher Limited Partnership and Lincoln Waterside Limited Partnership, which are incorporated into the Other Shopping Centres segment, and Capital & Regional Property Management Limited and Garigal Asset Management GmbH, which are incorporated into the Property Management segment in note 2. Following the agreed sale of Hemel Hempstead and Morrison Merlin Limited during the year, there are no assets in the Leisure segment that constitute a major line of business for scoping purposes. • All of the above were subject to a full audit scope with the exception of the Germany joint venture, Garigal Asset Management GmbH and the Kingfisher Limited Partnership, which were subject to specific audit procedures around significant audit risks and key balances including investment property and loans payable. • The businesses subject to a full scope audit or specific audit procedures account for 100% of the Group's net assets, revenue and recurring pretax profit. All investment properties have been included within the scope of our work. The Germany joint venture is audited by Deloitte Frankfurt and is visited annually by a senior member of the Group audit team. The remaining components are audited by the Group audit team. Our audit work at each component was executed at levels of materiality applicable to each individual entity which were lower than group materiality. • At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: • the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and • the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Auditor's Report continued

At 30 December 2013

Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
Respective responsibilities of directors and auditor	As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.
Scope of the audit of the financial statements	An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. f we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Georgina Robb FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
20 March, 2014

Consolidated Income Statement

At 30 December 2013

	Note	2013 £m	2012[1] £m
Continuing operations			
Revenue	3	**17.6**	22.0
Cost of sales	4	**(8.0)**	(8.9)
Gross profit		**9.6**	13.1
Administrative costs		**(11.5)**	(13.6)
Share of profit/(loss) in associates and joint ventures	16a	**10.0**	(12.8)
Other gains and losses		**1.0**	—
Profit/(loss) on ordinary activities before financing		**9.1**	(13.3)
Finance income	5	**0.8**	1.2
Finance costs	6	**(0.6)**	(0.6)
Profit/(loss) before tax	7	**9.3**	(12.7)
Tax credit	9a	**0.2**	0.9
Profit/(loss) for the year from continuing operations		**9.5**	(11.8)
Discontinued operations			
Loss for the year from discontinued operations	29	**(0.4)**	(4.2)
Profit/(loss) for the year		**9.1**	(16.0)
Continuing operations			
Basic earnings/(loss) per share	10a	**3p**	(3)p
Diluted earnings/(loss) per share	10a	**3p**	(3)p
Continuing and discontinued operations			
Basic earnings/(loss) per share	10a	**3p**	(5)p
Diluted earnings/(loss) per share	10a	**3p**	(5)p

1 2012 results have been restated to separate discontinued operations as explained in Note 29.

The profit for the current year and the loss for the preceding year, including amounts from discontinued operations, are fully attributable to equity shareholders.

Consolidated Statement of Comprehensive Income

For the year to 30 December 2013

	2013 £m	2012 £m
Profit/(loss) for the year	**9.1**	(16.0)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**0.8**	(1.3)
(Loss)/gain on a hedge of a net investment taken to equity	**(0.7)**	0.7
Total items that that may be reclassified subsequently to profit or loss:	**0.1**	(0.6)
Total comprehensive income/(loss) for the year	**9.2**	(16.6)

The total comprehensive income for the current year and preceding year is fully attributable to equity shareholders. There are no items in other comprehensive income that may not be reclassified to profit or loss.

Consolidated Balance Sheet

At 30 December 2013

	Note	2013 £m	2012 £m
Non-current assets			
Investment properties	11a	**—**	8.4
Goodwill	12	**—**	—
Plant and equipment	13	**0.7**	0.8
Receivables	14	**22.8**	23.6
Investment in associates	16b	**112.1**	80.7
Investment in joint ventures	16c	**32.3**	25.7
Total non-current assets		**167.9**	139.2
Current assets			
Trading properties	11a	**—**	70.0
Receivables	17	**6.8**	7.4
Cash and cash equivalents	18	**11.1**	5.3
Assets classified as held for sale	29	**8.5**	32.2
Total current assets		**26.4**	114.9
Total assets	2b	**194.3**	254.1
Current liabilities			
Trade and other payables	19	**(4.3)**	(11.7)
Current tax liabilities		**(0.2)**	(1.3)
Liabilities directly associated with assets classified as held for sale	29	**(0.1)**	(1.6)
		(4.6)	(14.6)
Non-current liabilities			
Bank loans	21a	**—**	(58.3)
Other payables	20	**(0.1)**	(0.7)
Deferred tax liabilities	9d	**(0.9)**	(0.9)
Total non-current liabilities		**(1.0)**	(59.9)
Total liabilities	2b	**(5.6)**	(74.5)
Net assets		**188.7**	179.6
Equity			
Share capital	23	**9.9**	9.9
Other reserves		**62.6**	72.0
Capital redemption reserve		**4.4**	4.4
Own shares held	25	**(0.7)**	(0.7)
Retained earnings		**112.5**	94.0
Equity shareholders' funds		**188.7**	179.6
Basic net assets per share	27	**£0.54**	£0.51
EPRA triple net assets per share	27	**£0.54**	£0.51
EPRA net assets per share	27	**£0.56**	£0.55

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 20 March 2014 by:

Charles Staveley
Group Finance Director

Consolidated Statement of Changes in Equity

For the year to 30 December 2013

	Share capital £m	Merger reserve £m	Other reserves: Acquisition reserve £m	Other reserves: Foreign currency reserve £m	Other reserves: Net investment hedging reserve £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
Balance at 30 December 2011	**9.9**	**60.3**	**9.5**	**5.6**	**(2.6)**	**4.4**	**(6.8)**	**115.7**	**196.0**
Loss for the year	—	—	—	—	—	—	—	(16.0)	(16.0)
Other comprehensive income for the year	—	—	—	(1.3)	0.7	—	—	—	(0.6)
Total comprehensive loss for the year	**—**	**—**	**—**	**(1.3)**	**0.7**	**—**	**—**	**(16.0)**	**(16.6)**
Credit to equity for equity-settled share-based payments	—	—	—	—	—	—	—	0.8	0.8
Transfer to income statement for German portfolio 4	—	—	—	(0.7)	—	—	—	—	(0.7)
Other movements	—	—	—	—	0.5	—	6.1	(6.5)	0.1
Balance at 30 December 2012	**9.9**	**60.3**	**9.5**	**3.6**	**(1.4)**	**4.4**	**(0.7)**	**94.0**	**179.6**
Profit for the year	—	—	—	—	—	—	—	9.1	9.1
Other comprehensive income for the year	—	—	—	0.8	(0.7)	—	—	—	0.1
Total comprehensive income for the year	**—**	**—**	**—**	**0.8**	**(0.7)**	**—**	**—**	**9.1**	**9.2**
Credit to equity for equity-settled share-based payments	—	—	—	—	—	—	—	1.0	1.0
Transfer between reserves	—	—	(9.5)	—	—	—	—	9.5	—
Dividends paid	—	—	—	—	—	—	—	(0.9)	(0.9)
Other movements	—	—	—	—	—	—	—	(0.2)	(0.2)
Balance at 30 December 2013	**9.9**	**60.3**	**—**	**4.4**	**(2.1)**	**4.4**	**(0.7)**	**112.5**	**188.7**

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

The acquisition reserve of £9.5 million related to the purchase of the entire ordinary share capital of Morrison Merlin Limited in 2005, prior to which it had been a joint venture in which the Group had a 50% interest. The balance on the reserve arose from the difference at the date of acquisition between the carrying value of the Group's existing interest and its fair value. The reserve was transferred to retained earnings on disposal of Morrison Merlin Limited in October 2013.

The foreign currency reserve of £4.4 million and the net investment hedging reserve deficit of £2.8 million respectively show foreign exchange translation differences from the Group's investment in its German joint venture and the net investment hedge of that investment.

Consolidated Cash Flow Statement

For the year to 30 December 2013

	Note	2013 £m	2012 £m
Operating activities			
Net cash from operations	26	**(1.4)**	4.3
Distributions received from associates	16b	**1.7**	2.2
Distributions received from joint ventures	16c	**0.2**	0.6
Distributions received from fixed asset investments		**—**	0.2
Interest paid		**(4.2)**	(5.1)
Interest received		**0.2**	—
Income taxes paid		**(1.2)**	(7.2)
Cash flows from operating activities		**(4.7)**	(5.0)
Investing activities			
Disposal of Morrison Merlin Limited	29	**12.0**	—
Disposal of interests in joint ventures and associates	29	**30.6**	14.9
Other disposals		**1.0**	0.5
Purchase of plant and equipment	13	**(0.2)**	(0.4)
Investment in associates	16b	**(29.3)**	(16.2)
Loans to joint ventures		**(1.0)**	—
Loans repaid by joint ventures		**0.2**	0.4
Cash flows from investing activities		**13.3**	(0.8)
Financing activities			
Dividends paid		**(0.9)**	—
Bank loans drawn down		**—**	4.6
Bank loans repaid		**(1.0)**	(13.2)
Loan arrangement costs		**—**	(0.3)
Repurchase of own shares		**(0.3)**	—
Settlement of forward foreign exchange contract		**(0.6)**	—
Cash flows from financing activities		**(2.8)**	(8.9)
Net increase/(decrease) in cash and cash equivalents		**5.8**	(14.7)
Cash and cash equivalents at the beginning of the year		**5.3**	20.0
Cash and cash equivalents at the end of the year	18	**11.1**	5.3

Notes to the Financial Statements

For the year to 30 December 2013

1 Significant Accounting Policies

General information

Capital & Regional plc is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 52 Grosvenor Gardens, London, SW1W 0AU. The nature of the Group's operations and its principal activities are disclosed in note 2a and in the operating and financial reviews.

Basis of accounting

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 35. 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 statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the accounting policies set out below.

Restatement of prior year comparatives

In accordance with the requirements of IFRS5 Non-current Assets Held for Sale and Discontinued Operations the income statement and segmental amounts for the year to 30 December 2012 have been restated to show the results relating to the Group's Leisure segment within discontinued operations, as Great Northern Warehouse and Hemel Hempstead, which made up that segment, were respectively sold and reclassified as an asset held for sale during the year. The results of discontinued operations, which for 2012 also include the Group's interest in The Junction Fund, X-Leisure Fund, X-Leisure Limited and Xscape Braehead, are set out in note 29.

Statement of compliance

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

Accounting developments and changes

Developments – during 2013

During 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 statements.

Developments – not yet adopted

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 31 December 2013. These new pronouncements are listed below:

- IFRS10 "Consolidated Financial Statements" (effective periods beginning on or after 1 January 2014)
- IFRS11 "Joint Arrangements" (effective periods beginning on or after 1 January 2014)
- IFRS12 "Disclosure of Interests in Other Entities" (effective periods beginning on or after 1 January 2014)
- IFRS13 "Fair Value Measurement" (effective periods beginning on or after 1 January 2013)
- Amendments to IAS19 "Employee Benefits" (effective periods beginning on or after 1 January 2013)
- Amendments to IAS27 "Separate Financial Statements" (effective periods beginning on or after 1 January 2014)
- Amendments to IAS28 "Investments in Associates and Joint Ventures" (effective periods beginning on or after 1 January 2014)
- Amendments to IFRS7 "Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities" (effective periods beginning on or after 1 January 2013)
- Amendments to IFRS10, IFRS11 and IFRS12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" (effective periods beginning on or after 1 January 2014)
- Amendments to IAS36 "Impairment of Assets" (effective periods beginning on or after 1 January 2014)
- Amendments to IAS32 "Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities" (effective periods beginning on or after 1 January 2014)

1 Significant Accounting Policies continued

- Amendments to IAS39 “Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting” (effective periods beginning on or after 1 January 2014)
- IFRS9 “Financial Instruments” (effective periods beginning on or after 1 January 2015)

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

Going concern

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

Further detail is contained within the Financial Review. The Group’s borrowing facilities and its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risks are provided in Notes 21 and 22 of the financial statements.

Critical accounting judgements

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

The following are the critical judgements, apart from those involving estimation uncertainty which are dealt with separately, that the directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The critical accounting judgements are:

Property valuation

Reliance upon the work undertaken at 30 December 2013 by independent professional qualified valuers, as disclosed in note 11b, in assessing the fair value of certain of the Group’s investment and trading properties.

Derivative financial instruments

Reliance upon the work undertaken at 30 December 2013 by independent third party experts in assessing the fair values of the Group’s derivative financial instruments, which are disclosed in notes 14, 17 and 22f.

Lease classification

Consideration of the potential transfer of risks and rewards of ownership in accordance with IAS17 Leases for all properties leased to tenants. The directors have determined that all such leases are operating leases.

Performance fees

Where performance conditions have not already been met, the likelihood that CRPM and Garigal will receive performance fee revenue under their respective asset and property management contracts. The directors have concluded that it is not yet probable that any amounts will be received but the performance criteria are disclosed in note 34.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are:

Taxation

An assessment of the likelihood that potential historic tax liabilities will arise as well as the impact of changes in recent legislation, case law and accounting standards, along with future projections for the Group, in determining the current and deferred tax assets, liabilities and charge to the income statement, as disclosed in note 9.

Notes to the Financial Statements continued

for the year ended 30 December 2013

1 Significant Accounting Policies continued

Valuation of loan receivable in Euro B-Note Holding Limited

Determining whether the subordinated loan receivable held indirectly by Euro B-Note Holding Limited is impaired requires an estimation of the credit risk of the relevant German investment portfolio. An independent valuation was obtained as at 30 June 2011 for the loan receivable fair value at the time of the debt refinancing. Subsequent to the refinancing the loan receivable is held at amortised cost and tested for impairment at each reporting date. At 30 June 2013 management performed an impairment review which resulted in the Group's share of the loan receivable being written down to £nil carrying value (2012: £2.3 million) reflecting adverse developments in the six months most prominently the insolvency of one of the most significant tenants in the portfolio.

The directors believe that the estimates and associated assumptions used in the preparation of the financial statements are reasonable, but actual outcomes may differ from those anticipated and so the judgements, estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. The reporting period for subsidiaries and affiliates ends on 31 December and their financial statements are consolidated from this date. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

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

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

Assets held for sale

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

Investments in associates and joint ventures

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

1 Significant Accounting Policies continued

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

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

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

Goodwill

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

Goodwill is not amortised but is reviewed for impairment at least annually. The impairment is calculated on the value in use of the goodwill and is recognised immediately in the income statement and not subsequently reversed. Where the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any equity interest in the entity already held by the acquirer, the excess is recognised immediately in the income statement as a bargain purchase gain.

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the period. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction. The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year: £1 = €1.1995 (2012: £1 = €1.2241). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.1775 (2012: £1 = €1.2333).

Net investment in foreign operations

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

Plant and equipment

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

Notes to the Financial Statements continued

for the year ended 30 December 2013

1 Significant Accounting Policies continued

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

Property portfolio

Investment properties

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

Leasehold properties

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

Refurbishment expenditure

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

Property transactions

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

Trading properties

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

Head leases

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

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.

Operating leases

Annual rentals under operating leases are charged to the income statement on a straight line basis over the term of the lease.

Financial instruments

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

Financial assets

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

Effective interest rate method

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

1 Significant Accounting Policies continued

Available for sale financial assets

The Group has investments in unlisted shares and unit trusts that are not traded in an active market but whose fair value the directors consider can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income, with the exception of impairment losses which are recognised in the income statement. Dividends are recognised in the income statement when the Group's right to receive the dividends is established.

Loans and receivables

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Borrowings

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

Derivative financial instruments

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

Trade payables

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

Taxation

Tax is included in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is based on the taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are never taxable or tax deductible (permanent differences) or will be taxable at a later date (temporary differences). Temporary differences principally arise when using balance sheet values for assets and liabilities that are different to their respective tax base values.

Notes to the Financial Statements continued

for the year ended 30 December 2013

1 Significant Accounting Policies continued

Deferred tax is provided using the balance sheet liability method on these temporary differences with the exception of goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates applicable at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

Employee benefits

Pension costs

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

Share-based payments

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

Own shares

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

Revenue

Management fees

Management fees are recognised, in line with the property management contracts, in the period to which they relate. They include income in relation to services provided by CRPM to associates and joint ventures for asset and property management, project co-ordination, procurement, and management of service charges and directly recoverable expenses. Income earned by Garigal for similar services is recognised in the share of profit/(loss) in associates and joint ventures.

Net rental income

Net rental income is gross rental income adjusted for tenant incentives, recognised on a straight line basis over the term of the underlying lease, less expenses directly related to letting and holding the properties.

Dividend and interest income

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

Performance fees

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

1 Significant Accounting Policies continued

- The Mall: by CRPM on property level outperformance relative to the IPD Shopping Centre Index (taking the 30 June 2010 valuation as the start point) of more than 50 basis points provided that the fund level return is greater than zero, payable at the end of the life of the fund or on an exit event, which is defined as a listing, sale of all the interests in the fund or the making of a cash offer which is accepted by a majority of the investors in the fund. For i) between 50 basis points and 150 basis points, CRPM receives 10% of the outperformance proceeds; ii) for between 150 basis points and 300 basis points of outperformance, CRPM receives 15% of the outperformance proceeds; and iii) for over 300 basis points of outperformance, CRPM receives no additional fee to ensure excessive risks are not taken. The amended provisions in the management agreements relating to removal for underperformance mean that the GP board only have the right to remove CRPM as the asset and property manager in the event of underperformance of at least 100 basis points below the IPD Shopping Centre Index over the period ending 31 December 2014.
- German portfolio: by Garigal on any realised geared returns in excess of an internal rate of return of 12% over the period from June 2010 to the disposal of the entire portfolio or its conversion into a listed structure, subject to a maximum of €15 million.

Provisions for performance fees payable by the underlying associate or joint venture are made when there is a present obligation to settle the performance fee, its amount can be measured reliably and it is probable that it will be paid. Further disclosure on performance fees is included in note 34.

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, any loss in the value of the Group's wholly owned interest rate swaps and any loss in the ineffective portion of the Group's hedge of its net investment in a foreign operation.

Operating segments

The Group's results for the year from its Leisure segment, consisting of Great Northern Warehouse and Hemel Hempstead, have been classified as Discontinued Operations with the prior year comparatives restated. The results of Discontinued Operations in the prior year also include the Group's share of results from The Junction Fund, Xscape Braehead, X-Leisure Fund and X-Leisure Limited all of which were included as such in the prior year financial statements. See Note 29 for further details.

Following the above changes the Group's remaining reportable segments under IFRS8 are The Mall, 'Other UK Shopping Centres' consisting of The Waterside Lincoln Limited Partnership and Kingfisher Limited Partnership (Redditch), Germany, Property Management (consisting of CRPM and Garigal Asset Management GmbH) and Snozone. Group items include Group overheads incurred by Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility. In the prior year the results of FIX UK, until the loss of significant influence were included within 'Other'.

The Mall, Other UK Shopping Centres and Germany derive their revenue from the rental of investment and trading properties. The Property Management and Snozone segments derive their revenue from the management of property funds or schemes and the operation of indoor ski slopes respectively. The split of revenue between these classifications satisfies the requirement of IFRS8 to report revenues from different products and services. Depreciation and the variable overhead represent the only significant non-cash expenses.

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

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

Recurring pre-tax profit

Recurring pre-tax profit is the total of Contribution, the Group's share of management fees less fixed management expenses earned by CRPM, X-Leisure Limited (in 2012 until reclassification as held for sale) and Garigal, the profit from Snozone and any fixed central costs and interest adjusted for any significant one off items such as Performance Fees. Recurring pre-tax profit includes results from Discontinued Operations up until the point of disposal or reclassification as held for sale.

Notes to the Financial Statements continued

for the year ended 30 December 2013

2a Operating segments

Year to 30 December 2013	Note	UK Shopping Centres The Mall £m	UK Shopping Centres Other UK Shopping Centres £m	Germany £m	Property management £m	Snozone £m	Group items £m	**Total Continuing Operations £m**	Discontinued Operations £m	Total £m
Rental income from external sources	2b	13.6	4.5	13.3	—	—	—	**31.4**	5.2	36.6
Property and void costs		(4.4)	(0.9)	(2.2)	—	—	—	**(7.5)**	(1.0)	(8.5)
Net rental income		9.2	3.6	11.1	—	—	—	**23.9**	4.2	28.1
Interest income		—	—	0.6	—	—	—	**0.6**	—	0.6
Interest expense		(5.1)	(1.5)	(5.1)	—	—	—	**(11.7)**	(4.1)	(15.8)
Contribution		4.1	2.1	6.6	—	—	—	**12.8**	0.1	12.9
Management fees/ Snozone income	2b	—	—	—	9.9	9.0	—	**18.9**	—	18.9
Management expenses		—	—	—	(5.3)	(7.9)	(4.2)	**(17.4)**	—	(17.4)
Depreciation		—	—	—	(0.1)	(0.1)	—	**(0.2)**	—	(0.2)
Inter-segment eliminations	2b	—	—	—	0.1	—	—	**0.1**	(0.1)	—
Interest expense on central facility		—	—	—	—	—	(0.2)	**(0.2)**	—	(0.2)
Recurring pre-tax profit/(loss)		4.1	2.1	6.6	4.6	1.0	(4.4)	**14.0**	—	14.0
Variable overhead		—	—	—	(0.7)	—	(1.1)	**(1.8)**	—	(1.8)
Revaluation of properties		(0.5)	1.2	(2.3)	—	—	—	**(1.6)**	(0.2)	(1.8)
(Loss)/profit on disposal		(4.2)	—	(0.3)	—	—	1.0[1]	**(3.5)**	(2.1)	(5.6)
Impairment of Euro B-Note		—	—	(2.4)	—	—	—	**(2.4)**	—	(2.4)
Gain/(loss) on financial instruments		2.9	0.6	1.2	—	—	—	**4.7**	1.8	6.5
Other items		2.0	—	(0.8)	(1.1)	(0.1)	(0.1)	**(0.1)**	—	(0.1)
Profit/(loss) before tax		4.3	3.9	2.0	2.8	0.9	(4.6)	**9.3**	(0.5)	8.8
Tax credit	9a							**0.2**	0.1	0.3
Profit after tax								**9.5**	(0.4)	9.1
Total assets	2b	243.7	54.6	189.5	3.1	2.5	13.7	**507.1**	8.5	515.6
Total liabilities	2b	(143.3)	(33.3)	(144.7)	(1.7)	(1.1)	(2.9)	**(327.0)**	0.1	(326.9)
Net assets		100.4	21.3	44.8	1.4	1.4	10.8	**180.1**	8.6	188.7

1 Consisting of profit on sale of land of £0.5 million and profit on disposal of FIX UK of £0.5 million.

2a Operating segments continued

Year to 30 December 2012[1]	Note	UK Shopping Centres The Mall £m	Other UK Shopping Centres £m	Germany £m	Other £m	Property management £m	Snozone £m	Group items £m	Continuing Operations £m	Total Discontinued Operations £m	Total £m
Rental income from external sources	2b	15.4	3.0	15.9	1.1	—	—	—	35.4	15.6	51.0
Property and void costs		(4.3)	(0.8)	(3.0)	(0.1)	—	—	—	(8.2)	(4.3)	(12.5)
Net rental income		11.1	2.2	12.9	1.0	—	—	—	27.2	11.3	38.5
Interest income		—	—	0.7	—	—	—	—	0.7	—	0.7
Interest expense		(6.6)	(1.1)	(6.5)	(0.4)	—	—	—	(14.6)	(8.1)	(22.7)
Contribution		4.5	1.1	7.1	0.6	—	—	—	13.3	3.2	16.5
Management fees/ Snozone income	2b	—	—	—	—	10.4	10.1	—	20.5	2.3	22.8
Management expenses		—	—	—	—	(7.0)	(8.7)	(3.9)	(19.6)	(1.7)	(21.3)
Depreciation		—	—	—	—	(0.1)	(0.2)	—	(0.3)	—	(0.3)
Inter-segment eliminations	2b	—	—	—	—	0.1	—	—	0.1	(0.1)	—
Interest expense on central facility		—	—	—	—	—	—	(0.7)	(0.7)	—	(0.7)
Recurring pre-tax profit/(loss)		4.5	1.1	7.1	0.6	3.4	1.2	(4.6)	13.3	3.7	17.0
Performance fees	2b	—	—	—	—	2.6	—	—	2.6	(0.6)	2.0
Variable overhead		—	—	—	—	(0.9)	(0.1)	(1.7)	(2.7)	—	(2.7)
Revaluation of properties		(7.6)	(1.3)	(10.0)	(0.1)	—	—	—	(19.0)	(1.8)	(20.8)
(Loss)/profit on disposal of properties		(1.6)	—	0.1	0.1	—	—	—	(1.4)	(0.2)	(1.6)
Impairment of goodwill	12	—	—	—	—	—	—	—	—	(1.8)	(1.8)
Impairment of FIX UK		—	—	—	(1.3)	—	—	—	(1.3)	—	(1.3)
Impairment of German Portfolio 4		—	—	(3.3)	—	—	—	—	(3.3)	—	(3.3)
Transfer from foreign currency reserve for German Portfolio 4		—	—	0.7	—	—	—	—	0.7	—	0.7
Impairment of Euro B-Note		—	—	(3.2)	—	—	—	—	(3.2)	—	(3.2)
Gain/(loss) on financial instruments		1.6	(0.6)	(0.1)	(0.1)	—	—	—	0.8	2.8	3.6
Other items		1.4	—	0.2	—	(0.2)	(0.2)	(0.4)	0.8	(0.3)	0.5
Loss on disposal of JV's and Associates		—	—	—	—	—	—	—	—	(4.0)	(4.0)
Profit/(loss) before tax		(1.7)	(0.8)	(8.5)	(0.8)	4.9	0.9	(6.7)	(12.7)	(2.2)	(14.9)
Tax credit/(charge)	9a								0.9	(2.0)	(1.1)
Profit after tax									(11.8)	(4.2)	(16.0)
Total assets	2b	210.5	49.2	191.9	0.2	4.8	2.5	4.0	463.1	116.4	579.5
Total liabilities	2b	(142.5)	(32.9)	(149.8)	—	(4.2)	(2.0)	(4.6)	(336.0)	(63.9)	(399.9)
Net assets		68.0	16.3	42.1	0.2	0.6	0.5	(0.6)	127.1	52.5	179.6

1 2012 results have been restated to separate discontinued operations as explained in Note 29.

Notes to the Financial Statements continued

for the year ended 30 December 2013

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	Year to 30 December 2013 £m	Year to 30 December 2012[1] £m
Rental income from external sources	2a	**31.4**	35.4
Inter-segment revenue	2a	**0.1**	0.1
Management fees	2a	**9.9**	10.4
Performance fees	2a	**—**	2.6
Snozone income	2a	**9.0**	10.1
Revenue for reportable segments — continuing operations		**50.4**	58.6
Elimination of inter-segment revenue	2a	**—**	—
Rental income earned by associates and joint ventures		**(31.4)**	(35.4)
Management fees earned by associates and joint ventures		**(1.4)**	(1.2)
Revenue per consolidated income statement — continuing operations	3	**17.6**	22.0
Revenue for reportable segments by country – continuing operations			
UK		**35.7**	41.5
Germany		**14.7**	17.1
Revenue for reportable segments — continuing operations		**50.4**	58.6

Revenue is attributed to countries on the basis of the location of the underlying properties. Revenue from the Group's major customer is management fee income from The Mall LP, included in the property management segment, which represented £7.3 million (2012: £6.7 million) of the Group's total revenue of £17.6 million (2012: £22.0 million). Further information on related party transactions is disclosed in note 34 to the financial statements.

Assets	Note	2013 £m	2012 £m
Total assets of reportable segments	2a	**515.6**	579.5
Adjustment for associates and joint ventures		**(321.3)**	(325.4)
Group assets		**194.3**	254.1
Liabilities			
Total liabilities of reportable segments	2a	**(326.9)**	(399.9)
Adjustment for associates and joint ventures		**321.3**	325.4
Group liabilities		**(5.6)**	(74.5)
Net assets by country			
UK		**143.3**	136.5
Germany		**45.4**	43.1
Group net assets		**188.7**	179.6

3 Revenue

Statutory	Note	Year to 30 December 2013 Total £m	Year to 30 December 2012[1] Total £m
Gross rent from wholly owned properties		–	–
Management fees		8.6	11.9
Snozone income	2a	9.0	10.1
Revenue per consolidated income statement — continuing operations	2b	**17.6**	22.0

1. 2012 results have been restated to separate discontinued operations as explained in Note 29.

Management fees represent revenue earned by the Group's wholly-owned CRPM subsidiary.

The fees earned by CRPM for asset and property management on The Mall are on the basis of a fixed fee of £4.5 million per annum.

25% of this fee is subject to reduction on a sliding scale from 100% to 75% if the valuation of the properties in the fund falls to between £850 million and £600 million.

4 Cost of sales

	Year to 30 December 2013 £m	Year to 30 December 2012[1] £m
Snozone expenses	8.0	8.9
Total cost of sales	**8.0**	8.9

5 Finance income

	Year to 30 December 2013 £m	Year to 30 December 2012[1] £m
Interest receivable	0.8	1.0
Dividend income from investments	–	0.2
Gain in fair value of financial instruments:		
— Interest rate swaps	–	(0.2)
— Ineffective portion of forward foreign exchange contracts	–	0.2
Total finance income	**0.8**	1.2

6 Finance costs

	Year to 30 December 2013 £m	Year to 30 December 2012[1] £m
Interest payable on bank loans and overdrafts	–	0.2
Interest payable	–	0.2
Other interest payable	0.6	0.4
Total finance costs	**0.6**	0.6

1 2012 results have been restated to separate discontinued operations as explained in Note 29.

Notes to the Financial Statements continued

for the year ended 30 December 2013

7 Profit before tax

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

	Note	**Year to 30 December 2013 £m**	Year to 30 December 2012[1] £m
Depreciation of plant and equipment	13	**0.3**	0.3
Staff costs	8	**12.1**	13.8
Auditor's remuneration for audit services (see below)		**0.3**	0.3

1. 2012 results have been restated to separate discontinued operations as explained in Note 29.

Auditor's remuneration

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

	Year to 30 December 2013 £m	Year to 30 December 2012 £m
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**0.1**	0.1
Fees payable to the Company's auditor and its associates for other services to the Group — the audit of the Company's subsidiaries	**—**	0.1
Total audit fees for the Company and its subsidiaries	**0.1**	0.2
Fees payable to the Company's auditor and its associates for other services to the Group — the audit of the Company's affiliates	**0.1**	0.1
Total audit fees	**0.2**	0.3
Tax compliance services	**—**	0.1
Other non-audit services	**0.1**	0.1
Total non-audit fees	**0.1**	0.2
Total fees paid to auditor and their associates	**0.3**	0.5

Included in other non-audit services is an amount for audit related assurance services of £40,225 (2012: £44,200) for the review of the Group's interim report.

The fees in relation to the audit of the Company's affiliates have been disclosed gross and have not been pro-rated to reflect the Company's equity investment percentage.

Of the tax compliance services payable to the Company's auditor, £nil (2012: £nil) was payable by the Company, with the balance of the fee relating to amounts incurred by affiliates. No fees were charged in the current or prior period pursuant to contingent fee arrangements.

8 Staff costs

All remuneration, including directors, is paid by either CRPM or the Snozone companies.

	Note	Year to 30 December 2013 £m	Year to 30 December 2012 £m
Salaries		**8.6**	9.5
Loss of office/redundancy payments		**0.6**	0.1
Discretionary bonuses		**0.9**	2.0
Share-based payments	24	**0.8**	0.8
		10.9	12.4
Social security		**1.0**	1.2
Other pension costs		**0.2**	0.2
		12.1	13.8

Except for the directors, the Company has no employees. The costs of the directors shown in the directors' remuneration report are borne by CRPM and appropriate amounts recharged to the Company.

Staff numbers

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

	Year to 30 December 2013 Number	Year to 30 December 2012 Number
CRPM	**68**	77
Snozone	**151**	165
Total staff numbers	**219**	242

The monthly average number of total employees (including directors) employed by the Group during the year was 351 (CRPM — 70, Snozone 281) compared to 429 in 2012 (CRPM — 79, Snozone — 350).

9 Tax

9a Tax charge

	Note	Year to 30 December 2013 £m	Year to 30 December 2012[1] £m
Current tax charge			
UK corporation tax — continuing operations		**–**	1.0
UK corporation tax — discontinued operations		**–**	2.0
Adjustments in respect of prior years — continuing operations		**(0.9)**	(2.6)
Foreign tax — continuing operations		**0.4**	0.2
Total current tax (credit)/charge		**(0.5)**	0.6
Deferred tax charge			
Origination and reversal of temporary timing differences		**0.3**	0.5
Deferred tax credit – discontinued operations	9d	**(0.1)**	(3.5)
Total deferred tax charge/(credit)	9d	**0.2**	(3.0)
Total tax credit		**(0.3)**	(2.4)
Total tax credit — continuing operations	9c	**(0.2)**	(0.9)
Total tax credit — discontinued operations		**(0.1)**	(1.5)

1 2012 results have been restated to separate discontinued operations as explained in Note 29.

£nil (2012: £nil) of the tax charge relates to items included in other comprehensive income.

Notes to the Financial Statements continued

for the year ended 30 December 2013

9b Tax charge to equity

	Note	Year to 30 December 2013 £m	Year to 30 December 2012 £m
Current tax			
Excess tax deductions related to share-based payments on exercised options		**–**	–
Deferred tax			
Arising on transactions with equity participants:			
Change in estimated excess tax deductions related to share-based payments		**(0.2)**	–
Total income tax recognised directly in equity	9d	**(0.2)**	–

9c Tax charge reconciliation

	Note	Year to 30 December 2013 £m	Year to 30 December 2012[1] £m
Profit/(loss) before tax on continuing operations		**9.3**	(12.7)
Profit multiplied by the UK corporation tax rate of 23.25% (2012: 24.5%)		**2.2**	(3.1)
Non-allowable expenses and non-taxable items		**(1.9)**	(0.8)
Utilisation of tax losses		**–**	(1.3)
Tax on realised gains		**0.5**	0.5
Unrealised losses on investment properties not taxable		**0.4**	4.7
Temporary timing and controlled foreign companies income		**(0.5)**	1.7
Adjustments in respect of prior years		**(0.9)**	(2.6)
Total tax credit	9a	**(0.2)**	(0.9)

1 2012 results have been restated to separate discontinued operations as explained in Note 29.

9d Deferred tax

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

	Note	Capital allowances £m	Other timing Differences £m	Total deferred tax liability £m
At 30 December 2011		(5.2)	1.3	**(3.9)**
Deferred tax credit/(charge) — continuing operations	9a	0.1	(0.6)	**(0.5)**
Deferred tax credit – discontinued operations	9a	3.3	0.2	**3.5**
At 30 December 2012		(1.8)	0.9	**(0.9)**
Deferred tax credit/(charge) — continuing operations	9a	0.4	(0.7)	**(0.3)**
Deferred tax charge to equity — continuing operations	9b	—	0.2	**0.2**
Deferred tax credit — discontinued operations	9a	—	0.1	**0.1**
At 30 December 2013		(1.4)	0.5	**(0.9)**

The reduction in the UK corporation tax rate at 1 April 2014 from 23% to 21% and from 21% to 20% at 1 April 2015 was substantively enacted on 2 July 2013. Consequently, the UK corporation tax rate at which deferred tax is booked in the financial statements is 20% (2012: 23%).

No deferred tax asset has been recognised in respect of temporary differences arising from investments in associates and interests in joint ventures of £0.4 million (2012: £0.9 million) as it is not certain that a deduction will be available when the asset crystallises.

9e Unused tax losses

The Group has £6.6 million (2012: £46.0 million) of unused revenue tax losses, all of which are in the UK. A deferred tax asset of £0.2 million (2012: £0.5 million) has been recognised in respect of £0.8 million (2012: £2.0 million) of these losses, based on future profit forecasts and expectations of recoverability. No deferred tax asset has been recognised in respect of the remainder owing to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses. The Group has unused capital losses of £26.4 million (2012: £20.6 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

9f Factors affecting tax

The Budget on 20 March 2013 revised the previously announced phased reduction in the UK main corporation tax rate. The rate is now proposed to reduce to 20% (previously 21%) by 1 April 2015 (previously 1 April 2014). The reduction in the UK corporation tax rate at 1 April 2013 to 23% was substantively enacted on 2 July 2013. The changes will not have a significant impact on the Group.

10 Earnings per share

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

10a Earnings per share calculation

		Year to 30 December 2013			Year to 30 December 2012[1]		
	Note	Basic	Diluted	EPRA diluted	Basic	Diluted	EPRA diluted
Profit/(loss) (£m)							
Profit/(loss) for the year from continuing operations		**9.5**	**9.5**	**9.5**	(11.8)	(11.8)	(11.8)
Revaluation of investment properties	10b	**—**	**—**	**1.6**	—	—	19.1
Profit on disposal of investment properties (net of tax)	10b	**—**	**—**	**2.7**	—	—	1.1
Movement in fair value of financial instruments (net of tax)	10b	**—**	**—**	**(4.2)**	—	—	(0.2)
Deferred tax charge on capital allowances	9d	**—**	**—**	**(0.4)**	—	—	(0.1)
Profit/(loss) from continuing operations		**9.5**	**9.5**	**9.2**	(11.8)	(11.8)	8.1
Discontinued operations		**(0.4)**	**(0.4)**	**(0.7)**	(4.2)	(4.2)	(5.2)
Profit/(loss)		**9.1**	**9.1**	**8.5**	(16.0)	(16.0)	2.9
Weighted average number of shares (m)							
Ordinary shares in issue	23	**349.8**	**349.8**	**349.8**	350.6	350.6	350.6
Own shares held		**(1.3)**	**(1.3)**	**(1.3)**	(1.3)	(1.3)	(1.3)
Dilutive contingently issuable shares and share options		**—**	**2.8**	**2.8**	—	—	—
		348.5	**351.3**	**351.3**	349.3	349.3	349.3
Earnings/(loss) per share (pence)		**3p**	**3p**	**2p**	(5)p	(5)p	1p
Earnings/(loss) per share (pence) — continuing operations		**3p**	**3p**	**3p**	(3)p	(3)p	2p

1 2012 results have been restated to separate discontinued operations as explained in Note 29.

At the end of the year, the Group had 5,358,855 (2012: 13,896,377) share options and contingently issuable shares granted under share-based payment schemes that could potentially have diluted basic earnings per share in the future but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

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10b Reconciliation of earnings figures included in earnings per share calculations

		Year to 30 December 2013			Year to 30 December 2012[1]		
	Note	**Revaluation movements £m**	**Profit/(loss) on disposal of investment properties £m**	**Movement in fair value of financial instruments £m**	Revaluation movements £m	Profit/(loss) on disposal of investment properties £m	Movement in fair value of financial instruments £m
Associates	16d	**(0.2)**	**(4.2)**	**3.4**	(8.9)	(1.6)	1.0
Joint ventures		**(1.4)**	**(0.3)**	**1.3**	(10.2)	0.1	(0.4)
Wholly owned		**–**	**1.0**	**–**	–	0.1	0.2
Tax effect		**–**	**0.8**	**(0.5)**	–	0.3	(0.6)
Total	10a	**(1.6)**	**(2.7)**	**4.2**	(19.1)	(1.1)	0.2

1 2012 results have been restated to separate discontinued operations as explained in Note 29.

11 Property assets

11a Wholly-owned properties

	Freehold investment properties £m	Leasehold investment properties £m	Sub-total investment properties £m	Freehold trading properties £m	**Total property assets £m**
Cost or valuation					
At 30 December 2011	0.2	8.3	8.5	71.5	**80.0**
Capital expenditure	–	0.3	0.3	–	**0.3**
Disposal of freehold investment properties	(0.2)	–	(0.2)	–	**(0.2)**
Impairment of trading properties	–	–	–	(1.5)	**(1.5)**
Revaluation movement	–	(0.2)	(0.2)	–	**(0.2)**
At 30 December 2012	–	8.4	8.4	70.0	**78.4**
Capital expenditure	–	–	–	0.5	**0.5**
Disposal of freehold trading properties	–	–	–	(70.2)	**(70.2)**
Impairment of trading properties	–	–	–	(0.3)	**(0.3)**
Transfer to held for sale (Note 29)	–	(8.4)	(8.4)	–	**(8.4)**
At 30 December 2013	–	–	–	–	**–**

The Group did not have any wholly owned development property in either the current year or the preceding year. Having disposed of Great Northern Warehouse, its remaining freehold trading property, and reclassified its leasehold property, Leisure World, Hemel Hempstead as held for sale during the year the Group no longer classifies any property assets as investment or trading property on its balance sheet. Prior to its disposal Great Northern Warehouse had been pledged to secure banking facilities granted to the Group (2012: value of £70.0 million). The historical cost of wholly owned property at 30 December 2012 was £92.2 million.

11b Property assets summary

	Note	30 December 2013 Valuation £m	30 December 2012 Valuation £m
Wholly owned			
Investment properties at fair value		–	8.4
Trading properties at the lower of cost and net realisable value		–	72.5
Unamortised tenant incentives on trading properties		–	(2.5)
		–	78.4
Joint ventures (100%)			
Investment properties at fair value		368.5	364.1
Unamortised tenant incentives on investment properties		(1.3)	(0.2)
	16e	367.2	363.9
Associates (100%)			
Investment properties at fair value		819.7	982.6
Head leases treated as finance leases on investment properties		65.5	65.5
Unamortised tenant incentives on investment properties		(18.4)	(19.1)
	16d	866.8	1,029.0

Valuations

In addition to the property assets classified as held for sale as shown on the balance sheet, the Group's property assets include its share in the investment properties held by its associates and joint ventures. External valuations at 30 December 2013 were carried out on £1,188.2 million (2012: £1,428.7 million) of the gross property assets held by the Group and its associates and joint ventures, of which the Group's share was £411.6 million (2012: £461.3 million).

The valuations were carried out by independent qualified professional valuers from CB Richard Ellis Limited, Cushman & Wakefield LLP and DTZ Debenham Tie Leung Limited. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

12 Goodwill

	30 December 2013 £m	30 December 2012 £m
At the start of the year	–	1.8
Impairment losses for the year	–	(1.8)
At the end of the year	–	–

The goodwill carried in the Group balance sheet relating to the management contracts for the X-Leisure fund held by the Group's X-Leisure Limited joint venture was fully impaired during 2012 through discontinued operations on assessment that the likely future cash benefit arising to the Group from the X-Leisure Limited joint venture would not support the carrying value either through sale or continuing use.

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13 Plant and equipment

	30 December 2013 £m	30 December 2012 £m
Cost or valuation		
At the start of the year	**2.7**	2.3
Additions	**0.2**	0.4
At the end of the year	**2.9**	2.7
Accumulated depreciation		
At the start of the year	**(1.9)**	(1.6)
Charge for the year	**(0.3)**	(0.3)
At the end of the year	**(2.2)**	(1.9)
Carrying amount		
At the end of the year	**0.7**	0.8

14 Non-current receivables

	30 December 2013 £m	30 December 2012 £m
Financial assets		
Loans to joint ventures	**22.8**	21.2
Non-derivative financial assets	**22.8**	21.2
Non-financial assets		
Prepayments — tenant incentives	**–**	2.4
	22.8	23.6

Interest is payable on the majority of loans to joint ventures at normal commercial rates. The Group has pledged loans to joint ventures with a carrying amount of £15.5 million (2012: £15.0 million) to secure banking facilities granted to the Group.

15 Subsidiaries

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

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

16 Investment in associates and joint ventures

16a Share of results

	Note	Year to 30 December 2013 £m	Year to 30 December 2012 £m
Share of results of associates	16d	**3.6**	(5.6)
Impairment of FIX UK		**–**	(1.3)
Share of results of joint ventures	16e	**6.4**	(3.3)
Impairment of German portfolio 4		**–**	(3.3)
Transfer from foreign currency reserve for German portfolio 4		**–**	0.7
		10.0	(12.8)

16b Investment in associates

	Note	30 December 2013 £m	30 December 2012 £m
At the start of the year		**80.7**	120.2
Investment in associates		**29.3**	16.2
Share of results of associates	16d	**3.6**	(5.6)
Share of results of associates within discontinued operations	16d	**–**	0.5
Dividends and capital distributions received		**(1.7)**	(2.2)
Reclassified as held for sale (X-Leisure Fund)		**–**	(33.9)
Foreign exchange differences		**0.2**	–
Impairment of FIX UK		**–**	(1.3)
Disposal of The Junction Fund		**–**	(13.2)
At the end of the year	16d	**112.1**	80.7

The Group's associates at 30 December 2013 were:

	At the start of the year %	Group interest Average during the year/until disposal %	At the end of the year %
The Mall Limited Partnership	20.15	20.84	29.26
Kingfisher Limited Partnership	20.00	20.00	20.00
Garigal Asset Management GmbH ("Garigal")	30.06	30.06	30.06
Euro B-Note Holding Limited	49.90	49.90	49.90

The Group holds 20% or more of The Mall Limited Partnership, Garigal Asset Management GmbH and Kingfisher Limited Partnership and exercises significant influence through its representation on the General Partner or advisory boards. The Group's interest in The Junction Fund and X-Leisure Limited Partnership were disposed of and reclassified as held for sale respectively during 2012.

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16b Investment in associates continued

The Mall Limited Partnership

During the year the Group made acquisitions of units in The Mall Fund as summarised in the table below:

Date	Units purchased million	Price per unit £	Consideration £m	C&R holding on completion %
4 January 2013	1.6	0.25	0.4	20.33
29 November 2013	53.5	0.34	18.2	26.00
23 December 2013	5.7	0.34	1.9	26.61
30 December 2013	25.0	0.35	8.8	29.26

Kingfisher Limited Partnership

On 1 May 2012, the Group completed its acquisition of a 20% interest in The Kingfisher Shopping Centre in Redditch for a total consideration of £10.6 million in partnership with funds managed by Oaktree Capital Management LP. The Kingfisher Centre was purchased for £130.0 million at an 8% net initial yield.

The FIX UK Limited Partnership

In the prior year at 30 June 2012, the Group made a provision for impairment of £1.3 million to write down the carrying value of its investment in FIX UK Limited Partnership to £nil. At that date the Group also concluded it had lost significant influence given the debt of the fund exceeded the value of the property and the impending refinancing. As such the share of results of FIX UK that was included within note 16d for the year to 30 December 2012 of £0.3 million related purely to the period to 30 June 2012. On 8 February 2013, Legal & General Property acquired the FIX UK Portfolio, the Group received £0.5 million of consideration in respect of its 20% interest.

Euro B-Note Holding Limited

During the year at 30 June 2013 management performed an impairment review over the loan receivable due from German Portfolio 4 that was held at 30 December 2012 at a carrying value of £2.3 million. This impairment assessment resulted in the Group's share of the loan receivable being written down to £nil carrying value reflecting adverse developments in the six months most prominently the insolvency of one of the most significant tenants in the portfolio.

16c Investment in joint ventures

	Note	**30 December 2013 £m**	30 December 2012 £m
At the start of the year		**25.7**	27.2
Share of results of joint ventures	16e	**6.4**	(3.3)
Share of results of joint ventures within discontinued operations	16e	**–**	2.0
Dividends and capital distributions received	34	**(0.2)**	(0.6)
Reclassified as held for sale (X-Leisure Limited)		**–**	(0.8)
Impairment of German Portfolio 4		**–**	(3.3)
Disposal of interest in Xscape Braehead		**–**	5.4
Foreign exchange differences		**0.4**	(0.9)
At the end of the year	16e	**32.3**	25.7

16c Investment in joint ventures continued

The Group's joint ventures at 30 December 2013 were:

	At the start of the year %	Group interest Average during the year/ until disposal/ since acquisition %	At the end of the year %
German portfolio	50.00	50.00	50.00
The Auchinlea Partnership	50.00	50.00	50.00
Waterside Lincoln Limited Partnership	50.00	50.00	50.00

The Group's investments in joint ventures include its share of the German portfolio (49.6%), and its investments in The Waterside Lincoln Limited Partnership (50%). The Group's interest in X-Leisure Limited (50%) was reclassified as held for sale during 2012 while the interest in Xscape Braehead Partnership (50%) was disposed of on 24 December 2012 (See Note 29 for further details). The Group's share in the German portfolio is accounted for at 50% as the minority interests are included as a liability on the joint venture balance sheet.

German portfolio

In the prior year 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 the German portfolio 4 joint venture to £nil. This was to take account of the fall in property values during the first half of 2012 which resulted in portfolio 4 defaulting on its €157.9 million debt. The Group concluded that it had lost joint control of its investment in German Portfolio 4 at 30 June 2012 given the known inability to repay the debt on maturity and as such its share of results of German Portfolio 4 of a loss after tax of £6.6 million that was included within note 16d for 2012 relates purely to the period to 30 June 2012.

The impairment recorded at 30 June 2012 resulted in the following share of assets and liabilities of German Portfolio 4 being removed from the see-through analysis in note 16e:

	£m
Investment properties	63.6
Other assets	4.2
Current liabilities	(63.2)
Non-current liabilities	(1.3)
Net assets	3.3

At 30 June 2012, £0.7 million was reclassified from the foreign currency reserve to the income statement related to portfolio 4.

The portfolio was placed into administration in January 2013. The securitised loan is non-recourse to the Group or any properties in the other German joint venture portfolios.

Cash distributions

Distributions received from Joint Ventures and Associates are disclosed in Note 34.

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16d Analysis of investment in associates

	Note	The Mall £m	Other UK Shopping Centres £m	Year to 30 December Other £m	**Year to 30 December 2013 Total £m**	Year to 30 December 2012 Total £m
Income statement (100%)						
Revenue — gross rent		65.2	12.7	—	**77.9**	149.0
Property and management expenses		(16.6)	(2.6)	—	**(19.2)**	(31.1)
Void costs		(4.2)	(0.2)	—	**(4.4)**	(6.5)
Net rent		44.4	9.9	—	**54.3**	111.4
Net interest payable		(24.7)	(5.6)	(0.1)	**(30.4)**	(68.3)
Contribution		19.7	4.3	(0.1)	**23.9**	43.1
Revenue — management fees		—	—	4.6	**4.6**	4.1
Management expenses		—	—	(2.6)	**(2.6)**	(12.8)
Revaluation of investment properties		(2.4)	1.6	—	**(0.8)**	(49.4)
Loss on sale of investment properties		(19.9)	—	—	**(19.9)**	(9.3)
Fair value of interest rate swaps		13.9	2.5	—	**16.4**	13.8
Impairment of Euro B-Note		—	—	(4.7)	**(4.7)**	(6.3)
(Loss)/profit before tax		11.3	8.4	(2.8)	**16.9**	(16.8)
Tax		—	—	(0.6)	**(0.6)**	(0.3)
(Loss)/profit after tax		11.3	8.4	(3.4)	**16.3**	(17.1)
Balance sheet (100%)						
Investment properties		732.3	134.5	—	**866.8**	1,029.0
Other assets		100.3	13.6	2.7	**116.6**	167.7
Current liabilities		(32.0)	(7.0)	(0.7)	**(39.7)**	(45.2)
Non-current liabilities		(457.5)	(85.3)	—	**(542.8)**	(759.1)
Net assets (100%)		343.1	55.8	2.0	**400.9**	392.4
Income statement (Group share)						
Revenue – gross rent		13.6	2.6	—	**16.2**	25.3
Property and management expenses		(3.5)	(0.6)	—	**(4.1)**	(5.5)
Void costs		(0.9)	—	—	**(0.9)**	(1.1)
Net rent		9.2	2.0	—	**11.2**	18.7
Net interest payable		(5.1)	(1.1)	(0.1)	**(6.3)**	(11.4)
Contribution		4.1	0.9	(0.1)	**4.9**	7.3
Revenue — management fees		—	—	1.4	**1.4**	1.2
Management expenses		—	—	(1.1)	**(1.1)**	(2.1)
Revaluation of investment properties		(0.5)	0.3	—	**(0.2)**	(9.8)
Loss on sale of investment properties		(4.2)	—	—	**(4.2)**	(1.8)
Fair value of interest rate swaps		2.9	0.5	—	**3.4**	2.0
Impairment of Euro B-Note		—	—	(2.4)	**(2.4)**	(3.2)
Gain recognised on investment in Mall		2.0	—	—	**2.0**	1.4
(Loss)/profit before tax		4.3	1.7	(2.2)	**3.8**	(5.0)
Tax		—	—	(0.2)	**(0.2)**	(0.1)
(Loss)/profit after tax		4.3	1.7	(2.4)	**3.6**	(5.1)
Balance sheet (Group share)						
Investment properties		214.3	26.9	—	**241.2**	207.1
Other assets		29.4	2.7	0.8	**32.9**	35.6
Current liabilities		(9.4)	(1.4)	(0.2)	**(11.0)**	(9.2)
Non-current liabilities		(133.9)	(17.1)	—	**(151.0)**	(152.8)
Net assets (Group share)		100.4	11.1	0.6	**112.1**	80.7

16e Analysis of investment in joint ventures

	German portfolio £m	Other UK Shopping Centres £m	Other £m	**Year to 30 December 2013 Total £m**	Year to 30 December 2012 Total £m
Income statement (100%)					
Revenue — gross rent	26.7	3.8	—	**30.5**	38.1
Property and management expenses	(4.0)	(0.2)	—	**(4.2)**	(10.6)
Void costs	(0.3)	(0.5)	—	**(0.8)**	(0.7)
Net rent	22.4	3.1	—	**25.5**	26.8
Net interest payable	(10.1)	(0.8)	—	**(10.9)**	(13.0)
Contribution	12.3	2.3	—	**14.6**	13.8
Revenue — management fees	—	—	—	**—**	4.7
Management expenses	—	—	—	**—**	(2.3)
Revaluation of investment properties	(4.7)	1.8	—	**(2.9)**	(18.8)
(Loss)/profit on sale of investment properties	(0.5)	—	—	**(0.5)**	0.1
Fair value of interest rate swaps	2.8	0.3	—	**3.1**	(0.5)
Profit/(loss) before tax	9.9	4.4	—	**14.3**	(3.0)
Tax	(1.6)	—	—	**(1.6)**	(0.2)
Profit/(loss) after tax	8.3	4.4	—	**12.7**	(3.2)
Balance sheet (100%)					
Investment properties	295.9	31.4	—	**327.3**	363.9
Investment properties held for sale	39.9	—	—	**39.9**	—
Other assets	12.2	3.8	0.3	**16.3**	14.7
Current liabilities	(32.6)	(1.5)	—	**(34.1)**	(32.0)
Non-current liabilities	(256.6)	(28.2)	—	**(284.8)**	(295.3)
Net assets (100%)	58.8	5.5	0.3	**64.6**	51.3
Income statement (Group share)					
Revenue — gross rent	13.3	1.9	—	**15.2**	19.0
Property and management expenses	(2.0)	—	—	**(2.0)**	(4.8)
Void costs	(0.2)	(0.2)	—	**(0.4)**	(0.4)
Net rent	11.1	1.7	—	**12.8**	13.8
Net interest payable	(5.0)	(0.4)	—	**(5.4)**	(6.6)
Contribution	6.1	1.3	—	**7.4**	7.2
Revenue — management fees	—	—	—	**—**	2.3
Management expenses	—	—	—	**—**	(1.1)
Revaluation of investment properties	(2.3)	0.9	—	**(1.4)**	(9.4)
(Loss)/profit on sale of investment properties	(0.3)	—	—	**(0.3)**	0.1
Fair value of interest rate swaps	1.4	0.1	—	**1.5**	(0.3)
Profit/(loss) before tax	4.9	2.3	—	**7.2**	(1.2)
Tax	(0.8)	—	—	**(0.8)**	(0.1)
Profit/(loss) after tax	4.1	2.3	—	**6.4**	(1.3)
Balance sheet (Group share)					
Investment properties	148.0	15.7	—	**163.7**	181.9
Investment properties held for sale	19.9	—	—	**19.9**	—
Other assets	6.1	2.0	0.1	**8.2**	7.4
Current liabilities	(16.3)	(0.8)	—	**(17.1)**	(16.0)
Non-current liabilities	(128.3)	(14.1)	—	**(142.4)**	(147.6)
Net assets (Group share)	29.4	2.8	0.1	**32.3**	25.7

Notes to the Financial Statements continued

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17 Current receivables

	30 December 2013 £m	30 December 2012 £m
Financial assets		
Trade receivables	**0.3**	0.7
Amounts owed by associates	**1.3**	2.0
Other receivables	**3.6**	1.7
Accrued income	**0.7**	0.3
Non-derivative financial assets	**5.9**	4.7
Financial assets carried at fair value through the profit or loss:		
— Foreign exchange forward contract	**0.1**	1.4
	6.0	6.1
Non-financial assets		
Prepayments	**0.8**	1.3
	6.8	7.4

Included in the non-derivative financial assets balance are receivables with a carrying amount of £0.2 million (2012: £0.5 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds collateral of £nil million (2012: £0.1 million) over trade receivables as security deposits held in rent accounts. The average age of trade receivables is 35 days (2012: 35 days).

	30 December 2013 £m	30 December 2012 £m
Analysis of non-derivative current financial assets		
Not past due	**5.5**	4.2
Past due but not individually impaired:		
Less than 1 month	**0.1**	—
1 to 3 months	**0.3**	0.4
3 to 6 months	**—**	—
Over 6 months	**—**	0.1
	5.9	4.7

	30 December 2013 £m	30 December 2012 £m
Allowances for doubtful receivables		
At the start of the year	**0.2**	0.2
Additional allowances created	**0.9**	0.2
Utilised during the year	**(0.7)**	(0.2)
At the end of the year	**0.4**	0.2

18 Cash and cash equivalents

	30 December 2013 £m	30 December 2012 £m
Cash at bank	**10.8**	2.9
Security deposits held in rent accounts	**—**	0.1
Other restricted balances	**0.3**	2.3
	11.1	5.3

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

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

	30 December 2013 £m	30 December 2012 £m
Sterling	**10.4**	4.7
Euro	**0.7**	0.6
	11.1	5.3

19 Current payables

	30 December 2013 £m	30 December 2012 £m
Financial liabilities		
Trade payables	**0.3**	0.6
Accruals	**2.3**	4.6
Payable to associates	**0.7**	0.8
Other payables	**0.3**	0.8
Non-derivative financial liabilities	**3.6**	6.8
Financial liabilities carried at fair value through the profit or loss		
Interest rate swaps	**—**	1.8
	3.6	8.6
Non-financial liabilities		
Deferred income	**0.3**	1.9
Other taxation and social security	**0.4**	1.2
	4.3	11.7

The average age of trade payables is 11 days (2012: 20 days) and no amounts incur interest (2012: £nil).

20 Non-current payables

	30 December 2013 £m	30 December 2012 £m
Financial liabilities		
Accruals	**0.1**	0.7
Non-derivative financial liabilities	**0.1**	0.7

Notes to the Financial Statements continued

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21 Borrowings

21a Summary of borrowings

The Group generally borrows on a secured basis and borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Short, medium and long term funding is raised principally through revolving credit facilities from a range of banks and financial institutions. There were no defaults or other breaches of financial covenants that were not waived under any of the Group borrowings during the current year or the preceding year.

Borrowings at amortised cost	Note	30 December 2013 £m	30 December 2012 £m
Secured			
Fixed and swapped bank loans	21d	–	57.6
Variable rate bank loans	21d	–	1.0
Total borrowings before costs		–	58.6
Unamortised issue costs		–	(0.6)
Total borrowings after costs		–	58.0
Analysis of total borrowings after costs			
Unamortised issue costs (within prepayments)		–	(0.3)
Current		–	–
Non-current		–	58.3
Total borrowings after costs		–	58.0

The Group has a revolving credit facility of £25 million available until July 2016. This facility is secured by charges over the units the Group holds in The Mall carried at £100.4 million at 30 December 2013 (2012: £68.0 million), charges over certain holdings in and loans to the German joint venture carried at £39.6 million (2012: £35.5 million) and guarantees by the Company.

The core revolving credit facility was undrawn at 30 December 2013 (30 December 2012: £1.0 million drawn).

On disposal of the Great Northern Warehouse the Group repaid the loan that was secured on that property.

21b Maturity of borrowings

	Note	30 December 2013 £m	30 December 2012 £m
From two to five years		–	1.0
From one to two years		–	57.6
Due after more than one year		–	58.6
Current		–	–
	21a	–	58.6

21c Undrawn committed facilities

	30 December 2013 £m	30 December 2012 £m
Expiring between one and two years	–	–
Expiring between two and five years	**25.0**	24.0

Under the terms of the loan covenants, as disclosed in note 22e, a total of £25 million (2012: £24.0 million) was available for drawdown at year end on this facility. The Articles of the Company also restrict borrowing but this did not limit the amount available for drawdown on the facility during the current year or the preceding year.

21d Interest rate and currency profile of borrowings

	Note	30 December 2013 £m	30 December 2012 £m
Fixed and swapped rate borrowings			
6% to 7%		–	57.6
	21a	–	57.6
Floating rate borrowings	21a	–	1.0
		–	58.6

Floating rate borrowings bear interest based on three month LIBOR. The loan in respect of Great Northern Warehouse was sterling denominated and at 30 December 2012 had a weighted average length of fix of 1.8 years.

22 Financial instruments and risk management

22a Overview

Capital risk management

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns while maximising the returns to shareholders through the optimisation of the debt and equity balance. The overall strategy of reducing the Group's levels of balance sheet and see-through debt remained unchanged from 2012.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21a; cash and cash equivalents as disclosed in note 18; and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Statement of changes in equity. For the purpose of calculating gearing ratios, debt is defined as long and short term borrowings (excluding derivatives) excluding unamortised issue costs. Equity includes all capital and reserves of the Group attributable to equity holders of the Company.

The Group is not subject to externally imposed capital requirements. The Board reviews the capital structure and cost of capital on an annual basis but does not set specific targets for gearing ratios. The risks associated with each class of capital are also considered as part of the risk reviews presented to the Audit Committee and the Board. The Group has met its objectives for managing capital during 2013, with a reduction in its net debt to equity ratios largely as a result of property disposals.

Gearing ratios

Statutory	Note	30 December 2013 £m	30 December 2012 £m
Debt before unamortised issue costs	21a	–	58.6
Cash and cash equivalents	18	**(11.1)**	(5.3)
Group net debt		**(11.1)**	53.3
Equity		**188.7**	179.6
Debt to equity ratio		–	33%
Net debt to equity ratio		–	30%

Notes to the Financial Statements continued

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22 Financial instruments and risk management continued

See-through	Note	30 December 2013 £m	30 December 2012[1] £m
Debt before unamortised issue costs	22f	**254.6**	321.9
Cash and cash equivalents		**(36.5)**	(33.4)
See-through net debt[1]		**218.1**	288.5
Equity		**188.7**	179.6
Debt to equity ratio		**135%**	179%
Net debt to equity ratio		**116%**	161%
Property assets - wholly owned	11a	**—**	78.4
Investment properties — associates[1]	16d	**241.2**	207.1
Investment properties — joint ventures[1]	16e	**163.7**	181.9
Property value		**404.9**	467.4
Debt to property value ratio		**63%**	69%
Net debt to property value ratio		**54%**	62%

1 See-through values for 2012 do not include the Group's share of German Portfolio 4 and FIX UK following the impairment of the investments and loss of joint control/significant influence during the year (see Notes 16b and 16c). The X-Leisure Fund was also excluded following its reclassification as an asset held for sale (See Note 29).

Categories of financial assets/(liabilities)

	Note	2013 Carrying value £m	2013 Gain/(loss) to income £m	2013 Gain/(loss) to equity £m	2012 Carrying value £m	2012 Gain/(loss) to income £m	2012 (Loss)/gain to equity £m
Financial assets							
Loans to joint ventures	14	**22.8**	**0.6**	**0.2**	21.2	0.9	(0.4)
Current receivables	17	**6.0**	**—**	**—**	4.7	—	—
Cash and cash equivalents	18	**11.1**	**(0.3)**	**—**	5.3	—	—
Loans and receivables		**39.9**	**0.3**	**0.2**	31.2	0.9	(0.4)
Foreign exchange forward contracts	17	**0.1**	**(0.2)**	**(0.7)**	1.4	0.9	0.6
Derivatives in effective hedges		**0.1**	**(0.2)**	**(0.7)**	1.4	0.9	0.6
Interest rate swaption		**—**	**—**	**—**	—	(0.2)	—
Assets at fair value held for trading		**—**	**—**	**—**	—	(0.2)	—
Financial liabilities							
Current payables	19	**(3.6)**	**—**	**—**	(6.8)	—	—
Non-current payables	20	**(0.1)**	**—**	**—**	(0.7)	—	—
Non-current borrowings	21a	**—**	**—**	**—**	(58.3)	(5.0)	—
Liabilities at amortised cost		**(3.7)**	**—**	**—**	(65.8)	(5.0)	—
Interest rate swaps	19	**—**	**1.8**	**—**	(1.8)	1.7	—
Liabilities at fair value held for trading		**—**	**—**	**—**	(1.8)	1.7	—
Total financial assets/(liabilities)		**36.3**	**1.9**	**(0.5)**	(35.0)	(1.7)	0.2

22 Financial instruments and risk management continued

Significant accounting policies

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

Financial risk management objectives

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

22b Interest rate risk

The Group normally raises bank debt on a floating rate basis and fixes a substantial portion of the interest payments by entering into interest rate swaps. The Group's objective in managing its interest rate risk is to ensure that it always maintains sufficient headroom to cover interest payments from anticipated cash flows and the directors regularly review the ratio of fixed to floating rate debt to assist this process. The Group is exposed to fair value risk from its fixed rate debt and interest rate risk from its floating rate debt, loans to joint ventures and cash. The Group does not hedge account its interest rate swaps and states them at fair value with changes in fair value included in the income statement.

The Group's interest rate swap contracts expired during the year. The fair value of the interest rate swap at 30 December 2012 was a liability of £1.8 million.

Sensitivity analysis

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

	1% increase in interest rates		1% decrease in interest rates	
	Year to 30 December 2013 £m	Year to 30 December 2012 £m	**Year to 30 December 2013 £m**	Year to 30 December 2012 £m
Floating rate loans and cash — gain/(loss)	**—**	0.2	**—**	(0.2)
Interest rate derivatives — gain/(loss)	**3.5**	5.4	**(3.5)**	(5.4)
Impact on the income statement — gain/(loss)	**3.5**	5.6	**(3.5)**	(5.6)
Impact on equity — gain/(loss)	**3.5**	5.6	**(3.5)**	(5.6)

22c Credit risk

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

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

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22d Currency risk

The Group publishes its consolidated financial statements in Sterling but has investments and loans to its German joint venture portfolio which have the Euro as their functional currency. Therefore the Group is subject to currency risk due to exchange rate movements which affect the translation of results and underlying net assets of the German joint venture portfolio.

Net investment hedge

The Group uses a forward foreign exchange contract as a hedge of its net investment in the German joint ventures. At 30 December 2013, this was achieved through a contract for €35 million (2012: €47.0 million) at a fixed exchange rate of 1.19254 (2012: 1.1797) which hedges 65% (2012: 97%) of the Group's German investment until 31 December 2014.

Only the spot element of the forward foreign exchange contracts is designated as the hedging instrument, determined as the undiscounted difference between the spot rate on the trade date and the spot rate on the revaluation date applied to the notional. The unhedged forward element of the fair value is determined as the total fair value less the spot element. Changes in the forward element of the fair value are reported through the income statement as finance income or finance costs as appropriate. During the year, this change in the unhedged element of the fair value was £nil (2012: £nil) as disclosed in note 5. During the year, the ineffective portion of the hedge resulted in a charge of £0.5 million (2012: charge of £0.2 million) to the income statement as disclosed in note 5.

Sensitivity analysis

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

	10% strengthening in sterling		10% weakening in sterling	
	Year to 30 December 2013 £m	Year to 30 December 2012 £m	**Year to 30 December 2013 £m**	Year to 30 December 2012 £m
Impact on the income statement — gain/(loss)	**(0.5)**	0.2	**0.3**	(0.4)
Impact on equity — gain/(loss)	**(1.2)**	(0.4)	**2.2**	1.2

22e Liquidity risk

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

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group's treasury department maintains a rolling eighteen month forecast of anticipated recurring and non-recurring cash flows under different scenarios. This is compared to expected cash balances and amounts available for drawdown on the Group's core revolving credit facility to ensure that any potential shortfalls in funding are identified and managed. The Group's primary means of managing liquidity risk is the £25.0 million core revolving credit facility, expiring in July 2016, which was fully available at 30 December 2013 as disclosed in note 21c.

22e Liquidity risk continued

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.

2013	Note	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets							
Non-current receivables	14	**3.5**	**—**	**—**	**22.8**	**—**	**22.8**
Current receivables	17		**6.0**	**—**	**—**	**—**	**6.0**
Cash and cash equivalents	18	**0.8**	**11.1**	**—**	**—**	**—**	**11.1**
			17.1	**—**	**22.8**	**—**	**39.9**
Financial liabilities							
Current payables	19		**(3.6)**	**—**	**—**	**—**	**(3.6)**
Non-current payables	20		**—**	**(0.1)**	**—**	**—**	**(0.1)**
			(3.6)	**(0.1)**	**—**	**—**	**(3.7)**

2012	Note	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets							
Non-current receivables	14	3.5	—	—	21.2	—	21.2
Current receivables	17		4.7	—	—	—	4.7
Cash and cash equivalents	18	0.5	5.3	—	—	—	5.3
			10.0	—	21.2	—	31.2
Financial liabilities							
Borrowings — fixed and swapped bank loans[1]	21a	7.51	—	(57.6)	—	—	(57.6)
Borrowings — variable rate bank loans	21a	3.70	—	—	(1.0)	—	(1.0)
Current payables	19		(6.8)	—	—	—	(6.8)
Non-current payables	20		—	(0.7)	—	—	(0.7)
			(6.8)	(58.3)	(1.0)	—	(66.1)

1 The maturity is the same as the contractual repricing of the Group's fixed and swapped bank loans.

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

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

2012	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Non-interest bearing	(6.8)	(0.7)	—	—	—	—	(7.5)
Fixed and swapped bank loans	—	(57.6)	—	—	—	—	(57.6)
Variable interest rate instruments	—	—	(1.0)	—	—	—	(1.0)
	(6.8)	(58.3)	(1.0)	—	—	—	(66.1)

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22e Liquidity risk continued

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

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

2012	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	(1.8)	–	–	–	–	–	(1.8)
Foreign exchange forward contract	1.4	–	–	–	–	–	1.4
	(0.4)	–	–	–	–	–	(0.4)

22f Fair values of financial instruments

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

	Note	Notional principal £m	2013 Book value £m	2013 Fair value £m	2012 Book value £m	2012 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	21a		–	–	(58.6)	(58.6)
Total on balance sheet borrowings			–	–	(58.6)	(58.6)
Group share of associate borrowings			(128.1)	(128.1)	(115.0)	(115.0)
Group share of joint venture borrowings			(126.5)	(127.2)	(148.3)	(149.0)
Total see-through borrowings	22a		(254.6)	(255.3)	(321.9)	(322.6)
Derivative assets/(liabilities) at fair value through income statement						
Sterling interest rate swaps	19	–	–	–	(1.8)	(1.8)
Foreign exchange forward contracts	17	29.2	0.1	0.1	1.4	1.4
Total on balance sheet derivatives			0.1	0.1	(0.4)	(0.4)
Group share of Sterling interest rate swaps in associates and joint ventures		135.0	(4.2)	(4.2)	(8.4)	(8.4)
Group share of Euro interest rate swaps in joint ventures		112.6	(1.4)	(1.4)	(2.7)	(2.7)
Total see through derivatives			(5.5)	(5.5)	(11.5)	(11.5)
Less foreign exchange forward contracts			(0.1)	(0.1)	(1.4)	(1.4)
Total see through interest rate derivatives	27		(5.6)	(5.6)	(12.9)	(12.9)

The fair value of borrowings has been estimated on the basis of quoted market prices. The fair value of the interest rate swaps has been estimated by calculating the present value of future cash flows, using market discount rates. The fair value of the forward foreign exchange contract has been estimated by applying the quoted forward foreign exchange rate to the undiscounted cash flows at maturity.

22f Fair values of financial instruments continued

Details of the Group's cash and deposits are disclosed in note 18 and their fair values and those of all other financial assets and liabilities are equal to their book values.

Fair value measurements recognised in the consolidated balance sheet

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

- 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).

	Note	**2013 Level 2 £m**	**2013 Level 3 £m**	**2013 Total £m**
Financial assets				
Foreign exchange forward contracts	17	**0.1**	**—**	**0.1**
		0.1	**—**	**0.1**

	Note	2012 Level 2 £m	2012 Level 3 £m	2012 Total £m
Financial assets				
Foreign exchange forward contracts	17	1.4	—	1.4
		1.4	—	1.4
Financial liabilities				
Interest rate swaps	19	(1.8)		(1.8)
		(1.8)	—	(1.8)

There were no transfers between Level 1 and Level 2 in the year.

23 Share capital

	Number of shares issued and fully paid **2013 Number**	Number of shares issued and fully paid 2012 Number	Nominal value of shares **2013 £m**	Nominal value of shares 2012 £m
Ordinary shares of 1p each				
At the start and end of the year	**349,688,796**	350,612,754	**3.5**	3.5
Deferred shares of 9p each				
At the start and end of the year	**71,348,933**	71,348,933	**6.4**	6.4
Total called-up share capital	**421,037,729**	421,961,687	**9.9**	9.9

The Company has one class of Ordinary shares which carry voting rights but no right to fixed income. Deferred shares carry neither voting nor dividend rights.

During the year the Company bought back and cancelled 923,958 ordinary shares.

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24 Share-based payments

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

Analysis of income statement charge

	Year to 30 December 2013 £m	Year to 30 December 2012 £m
2008 LTIP	**0.8**	0.8
Equity-settled share-based payments	**0.8**	0.8

Movements during the year

	SAYE scheme Invitation I	**SAYE scheme Invitation II**	**2008 LTIP**	**COIP**
Outstanding at 30 December 2011	601,905	487,306	13,500,000	1,202,080
Granted during the year	—	—	—	—
Exercised during the year	(521,901)	—	—	—
Forfeited/lapsed/expired during the year	(80,004)	(90,929)	—	(1,202,080)
Outstanding at 30 December 2012	—	396,377	13,500,000	—
Granted during the year	—	—	7,789,101	—
Exercised during the year	—	—	—	—
Forfeited/lapsed/expired during the year	—	(72,881)	(13,500,000)	—
Outstanding at 30 December 2013	—	323,496	7,789,101	—
Exercisable at the end of the year	—	—	—	—
Fair value of award at grant date per share	£0.15	£0.05	£0.15	£0.14
Weighted average exercise price	22.8p	36.7p	0.0p	0.0p

On 31 December 2011 all of the COIP lapsed as the performance criteria were not met.

On 1 February 2012, the first SAYE scheme invitation ('Invitation I') matured and participants were eligible to exercise their options for up to six months.

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

24 Share-based payments continued

Assumptions

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

	SAYE scheme Invitation II	2008 LTIP August 2013 issue
Share price at grant date	34.0p	39.0p
Exercise price	36.7p	0.0p
Expected volatility	56%	35%
Expected life (years)	3.00	3.00
Risk free rate	3.51%	0.86%
Expected dividend yield	14.7%	2.44%
Lapse rate	2%	0%
Correlation	n/a	n/a

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

25 Own shares

	Own shares £m
At the start of the year	0.7
Disposed of on exercise of options	—
At the end of the year	0.7

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2013, the Capital & Regional plc 2002 Employee Share Trust (the "ESOT") held 1,314,024 (2012: 1,319,201) shares to assist the Group in meeting the outstanding share awards under the schemes described above. The right to receive dividends on these shares has been waived. The market value of these shares at 30 December 2013 was £0.6 million (2012: £0.4 million).

26 Reconciliation of net cash from operations

	Note	Year to 30 December 2013 £m	Year to 30 December 2012[1] £m
Profit/(loss) for the year		**9.1**	(16.0)
Adjusted for:			
Finance income — continuing and discontinued operations		**(2.6)**	(2.9)
Finance expense — continuing and discontinued operations		**4.7**	5.6
Income tax expense	9b	**(0.2)**	(0.9)
Income tax expense — discontinued operations	29	**(0.1)**	2.0
Loss on disposal of JV & Associates — discontinued operations	29	**—**	4.0
Loss on disposal of wholly owned properties — discontinued operations	29	**2.1**	—
Loss on revaluation of wholly owned properties		**0.2**	1.7
Share of (profit)/loss in associates and joint ventures	16a, 29	**(10.0)**	12.0
(Profit)/loss on disposal of other assets		**(1.0)**	0.1
Depreciation of other fixed assets	13	**0.3**	0.3
Decrease/(increase in receivables)		**0.2**	(2.3)
Decrease in payables		**(4.9)**	(0.1)
Non-cash movement relating to share-based payments	24	**0.8**	0.8
Net cash from operations		**(1.4)**	4.3

1 Restated to reflect changes in Discontinued Operations.

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27 Net assets per share

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

	Note	30 December 2013 Net assets £m	Number of shares (m)	Net assets per share (£)	30 December 2012 Net assets per share (£)
Basic net assets		**188.7**	**349.7**	**0.54**	0.51
Own shares held	25	**–**	**(1.3)**		
Dilutive contingently issuable shares and share options		**–**	**2.8**		
Fair value of fixed rate loans (net of tax)		**–**			
EPRA triple net assets		**188.7**	**351.2**	**0.54**	0.51
Exclude fair value of fixed rate loans (net of tax)		**–**			
Exclude fair value of see-through interest rate derivatives	22f	**5.6**			
Exclude deferred tax on unrealised gains and capital allowances		**1.0**			
EPRA net assets		**195.3**	**351.2**	**0.56**	0.55

28 Return on equity

	30 December 2013 £m	30 December 2012 £m
Total comprehensive income/(loss) attributable to equity shareholders	**9.2**	(16.6)
Opening equity shareholders' funds	**179.6**	196.0
Return on equity	**5.1%**	(8.5)%

29 Discontinued Operations

Year ending 30 December 2013

Morrison Merlin (Great Northern Warehouse)

On 31 October 2013, the Group completed the sale of Morrison Merlin Limited, the Group company that owned the Great Northern Warehouse, to Resolution IV Holdings s.à.r.l. for a headline price of £71.1 million. At the date of disposal the net assets of Morrison Merlin Limited were £14.1 million. The net cash consideration received after transaction costs of £0.1 million was £12.0 million resulting in a loss on disposal after tax of £2.1 million.

Leisure World, Hemel Hempstead

On 20 August 2013, the Group announced the conditional exchange of contracts for the sale of the Leisure World property, Hemel Hempstead for consideration that is expected, subject to guarantees and top up arrangements, to exceed the 30 June 2013 and 30 December 2012 valuation of £8.4 million. On the basis that at 30 June 2013 the sale was highly probable the property was reclassified as an asset held for sale at that date. While the sale had not completed at 30 December 2013 in the opinion of the Directors it remained highly probable at that date and as such classification as an asset held for sale has been maintained at the expected net consideration of £8.4 million (£8.5 million of consideration less £0.1 million of associated costs).

On 14 February 2014, the sale was completed with cash consideration of £8.5 million received.

Given the disposal of Morrison Merlin and Leisure World, Hemel Hempstead form part of the Group's strategic plan to exit the Leisure market, the results for the year (up to the date of disposal and reclassification as held for sale respectively) and the comparative period in 2012 have been presented as discontinued operations. Also included in discontinued operations in 2012, consistent with the treatment in the 2012 annual accounts, are the Group's share of results from their investments in The Junction Fund, X-Leisure Limited and the X-Leisure Fund and Xscape Braehead.

29 Discontinued Operations (continued)

Year ending 30 December 2012

Xscape Braehead, Glasgow

On 24 December 2012, the Group sold Capital & Regional (Braehead) Limited to its joint venture partner Capital Shopping Centres for cash consideration of £4 million. Capital & Regional (Braehead) Limited held a 50% stake in Xscape Braehead Partnership the entity that owns the Xscape Braehead, Glasgow property. A profit on disposal after tax of £1.2 million was recognised. At the date of disposal the net assets of Capital & Regional (Braehead) Limited were £4.8 million consisting of a receivable due from the Xscape Braehead Partnership of that amount.

X-Leisure

On 4 December 2012, the Group entered into a conditional binding agreement for the sale of its 11.9% stake in the X-Leisure Fund and its 50% interest in X-Leisure Limited to a subsidiary of Land Securities Group plc. The X-Leisure Fund is the largest specialist fund investing in UK leisure property, X-Leisure Limited is the property and asset manager for the Fund. The approval of X-Leisure Fund unit holders not involved in the transaction was obtained on 21 December 2012 and on that date Management, considering the disposal to be highly probable, reclassified the investments to assets held for sale at the consideration expected to be received of £32.2 million, with associated liabilities of £1.6 million in respect of outstanding transaction costs recognised as a separate liability on the balance sheet. A loss on disposal after tax of £4.0 million was recognised.

At 30 December 2012, the principal conditions that needed to be met for the sale to complete were the approval of Capital & Regional plc shareholders and the consent of the X-Leisure Fund's banks. These conditions were satisfied after the year end and the sale completed on 16 January 2013 with net proceeds of £30.6 million received.

The Junction Fund

On 19 October 2012, subsidiaries of Hammerson plc acquired The Junction Fund, a specialist retail park fund, for a total of £259.5 million of which Capital & Regional plc had a 13.43% interest resulting in net cash consideration attributable to the Group of £11.4 million, excluding performance fee income of £2.6 million. A loss on disposal after tax of £1.2 million was recognised.

The results of these discontinued operations, which have been included in the consolidated income statement, were as follows:

	Note	**Year ended 30 December 2013 £m**	Year ended 30 December 2012 £m
Revenue		**5.1**	6.7
Cost of sales		**(1.2)**	(2.2)
Loss on revaluation of investment properties		**–**	(0.2)
Share of profit in associates and joint ventures		**–**	0.8
Finance income		**1.8**	1.7
Finance costs		**(4.1)**	(5.0)
Attributable current tax credit/(charge)		**0.1**	(2.0)
Share of profit after attributable tax		**1.7**	(0.2)
Loss on disposal of discontinued operations		**(2.1)**	(4.0)
Loss from discontinued operations	2a	**(0.4)**	(4.2)

The loss on disposal of discontinued operations of £2.1 million (2012: loss of £4.0 million) is stated after Deferred Tax credits of £0.1 million (2012: credits of £3.5 million) relating to Deferred Tax liabilities extinguished on disposal.

During the year, discontinued operations contributed £4.0 million (2012: £6.0 million) to the Group's net operating cash flows, contributed £42.6 million (2012: £15.0 million) in respect of investing activities (disposal proceeds) and paid £nil million (2012: £nil) in respect of financing activities.

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29 Discontinued Operations continued

Assets held for sale comprise:

	Note	30 December 2013 £m	30 December 2012 £m
Investment in associate — X-Leisure Limited Partnership		**—**	31.7
Investment in joint venture — X-Leisure Limited		**—**	0.5
Investment property — Leisure World, Hemel Hempstead		**8.5**	—
		8.5	32.2

£0.1 million (2012: £1.6 million) of balance sheet liabilities associated with these assets have been recognised at 30 December 2013 representing transaction costs outstanding at that date.

30 Lease arrangements

The Group as lessee – operating leases

At the balance sheet date, the Group's future minimum lease payments and sublease receipts under non-cancellable operating leases related to land and buildings were as follows:

	2013 £m	2012 £m
Lease payments		
Within one year	**(2.0)**	(2.0)
Between one and five years	**(7.5)**	(8.2)
After five years	**(17.9)**	(19.9)
	(27.4)	(30.1)

Operating lease payments are denominated in Sterling or Euros and have an average remaining lease length of 13 years (2012: 14 years) and rentals are fixed for an average of 2 years (2012: 2 years). During the year there were no contingent rents (2012: £nil) and the Group incurred lease payments recognised as an expense of £1.9 million (2012: £2.0 million).

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of 8 years (2012: 8 years) to expiry. The most significant leasing arrangements are summarised in the fund portfolio information. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

100% figures	Unexpired average lease term Years	Less than 1 year £m	2–5 years £m	6–10 years £m	11–15 years £m	16–20 years £m	More than 20 years £m	30 December 2013 Total £m	30 December 2012 Total £m
The Mall	8.3	50.2	148.3	103.6	38.2	24.4	104.6	**469.3**	585.9
Redditch	8.1	8.5	26.5	14.4	7.3	2.6	17.5	**76.8**	79.4
Total associates[1]		58.7	174.8	118.0	45.5	27.0	122.1	**546.1**	665.3
German portfolio[1]	7.1	25.9	83.7	55.9	15.7	2.4	—	**183.6**	183.2
Other joint ventures	5.8	1.3	3.8	3.3	0.4	—	—	**8.8**	11.1
Total joint ventures		27.2	87.5	59.2	16.1	2.4	—	**192.4**	194.3
Wholly owned[1]		—	—	—	—	—	—	**—**	73.6
Total		85.9	262.3	177.2	61.6	29.4	122.1	**738.5**	933.2

1 Values for 2012 did not include German Portfolio 4 and FIX UK following the loss of joint control/significant influence during the year (see Notes 16b and 16c). The X-Leisure Fund was excluded in 2012 following its reclassification as an asset held for sale and subsequent disposal post year end (See Note 29). Hemel Hempstead has been excluded in 2013 following its reclassification as an asset held for sale and subsequent disposal post year end (See Note 29).

There was no contingent rent (2012: £nil) recognised in income from wholly owned properties during the year.

31 Capital commitments

At 30 December 2013, the Group's share of the capital commitments of its associates, joint ventures and wholly owned properties was £2.6 million (2012: £2.5 million). This comprised £0.5 million (2012: £2.5 million) relating to The Mall and £2.1 million (2012: £nil) relating to other assets.

32 Contingent liabilities

Morrison Merlin

Under the terms of the Morrison Merlin Limited disposal, Capital & Regional plc gave certain customary warranties as to their title to the relevant shares and certain warranties in relation to Morrison Merlin Limited generally. The maximum liability of Capital & Regional plc in respect of the warranties is £7,000,000. Any claims in respect of the warranties must be brought within 24 months of the completion date.

X-Leisure

Under the terms of the X-Leisure disposal agreements, Capital & Regional gave certain customary warranties as to capacity, title to the disposed assets, solvency, accounting and financial matters, litigation, compliance with laws and regulatory consents and taxation.

The aggregate liability of the sellers in respect of breaches of certain warranties including those relating to title and capacity and authority shall not exceed an amount equal to the consideration received by that seller. Other than in the case of fraud, the aggregate liability of the Sellers and the Manager in respect of claims under the disposal agreements shall not exceed £30 million.

The Junction Fund

Under the terms of the Group's disposal of its interest in The Junction Fund, Capital & Regional Units LLP and Capital & Regional (Junction GP) Limited gave certain customary warranties as to their title to the relevant units and shares and certain warranties in relation to the Junction Fund generally and the GP sellers gave warranties in relation to the Junction GP. The relevant warranties were given on a several basis and the maximum liability of Capital & Regional Units LLP in respect of the title and capacity warranties is £34.8 million and the maximum liability of Capital & Regional (Junction GP) Limited in respect of the title and capacity warranties is £35.4 million. The maximum liability of Capital & Regional Units LLP in respect of the other warranties is £3.5 million and the maximum liability of Capital & Regional (Junction GP) Limited in respect of the other warranties is £3.5 million. Any claims in respect of the warranties must be bought within 12 months of the date of the agreement, being 19 October 2012, other than in respect of certain claims relating to taxation, where the claims must be bought within either 24 months or six years from the date of agreement.

The obligations of Capital & Regional Units LLP under the agreement were guaranteed by Capital & Regional Holdings Limited.

33 Events after the balance sheet date

Leisure World, Hemel Hempstead

On 14 February 2014, the sale of Leisure World, Hemel Hempstead to Tesco Pension Fund was completed and cash consideration of £8.5 million received.

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34 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and joint ventures, all of which occurred at normal market rates, are disclosed below.

	Interest received		Distributions received	
	Year to 30 December 2013 £m	Year to 30 December 2012 £m	**Year to 30 December 2013 £m**	Year to 30 December 2012 £m
Associates				
The Junction Limited Partnership	**–**	–	**–**	–
Garigal	**–**	–	**0.5**	0.2
The Mall Limited Partnership	**–**	–	**1.2**	0.9
X-Leisure Limited Partnership	**–**	–	**–**	1.1
	–	–	**1.7**	2.2
Joint ventures				
Xscape Braehead Partnership	**–**	0.5	**–**	–
The Auchinlea Partnership	**–**	–	**–**	–
X-Leisure Limited	**–**	–	**–**	0.3
German joint venture companies	**0.6**	0.5	**0.2**	0.3
	0.6	1.0	**0.2**	0.6

The borrowing arrangements of The Mall restrict the ability to make cash distributions of profit to the Group while its LTV is above 60% and its debt above £600 million. Following the sale of Sutton Coldfield and Uxbridge in July 2013 the Mall's LTV and debt levels fell below these levels and remained so for the remainder of the year.

The £1.2 million received during the year relates to a distribution to cover tax to be paid on the share of profits for the period.

	Fee income and rent income/(expense)		Net amounts Receivable from	
	Year to 30 December 2013 £m	Year to 30 December 2012 £m	**As at 30 December 2013 £m**	As at 30 December 2012 £m
Associates				
The Mall Limited Partnership	**7.3**	6.7	**1.2**	1.9
The Junction Limited Partnership	**–**	3.4	**–**	0.1
X-Leisure Limited Partnership	**–**	(1.6)	**–**	(0.1)
Redditch Limited Partnership	**0.7**	0.4	**0.1**	0.1
The FIX UK Limited Partnership	**–**	0.1	**–**	–
	8.0	9.0	**1.3**	2.0
Joint ventures				
Xscape Braehead Partnership	**–**	–	**–**	–
X-Leisure Limited	**–**	0.3	**–**	–
German joint venture companies	**–**	–	**15.5**	14.8
Waterside Lincoln Limited Partnership	**0.2**	0.2	**7.4**	6.4
	0.2	0.5	**22.9**	21.2

34 Related party transactions continued

Amounts receivable from associates are unsecured and do not incur interest and they are payable on demand and settled in cash.

Amounts receivable from the German joint venture incur interest at commercial rates which is payable on demand. The balances are unsecured and settled in cash. Amounts receivable from the Waterside Lincoln Limited Partnership are interest free and repayable on demand.

Management fees are received by Capital & Regional Property Management Limited and are payable on demand, unsecured, do not incur interest and are settled in cash.

The rents payable by Snozone companies are due to the relevant Xscape Partnerships. Snozone Limited (operator of the ski slopes at Milton Keynes and Castleford) paid rent of £1.6 million (2012: £1.6 million) to the X-Leisure Limited Partnership which was a related party prior to the Group's disposal of its interest in January 2013.

Waterside Lincoln Limited Partnership

During 2011 the Group formed a joint venture with Karoo Investment Fund II S.C.A SICAV-SIF ("Karoo") by selling 50% of the Group's interest in The Waterside Shopping Centre in Lincoln. As the Group and Karoo have common significant shareholders the formation of the joint venture was conditional upon shareholder approval which was granted on 1 April 2011. Included within loans to joint ventures is an amount of £7.4 million related to the Waterside Lincoln Limited Partnership. The details of this transaction are disclosed in note 16c.

Performance fees

Certain entities in the Group may receive performance fees when investors realise their interests in the underlying funds or joint ventures, either at the end of the life of the fund, on the sale of some or all of the underlying properties, or through another realisation mechanism such as a listing. Except where stated below, no performance fees were received from or paid in either the current or preceding year.

The Mall Fund

CRPM will earn a performance fee if the property level return is positive and is more than 50 basis points above the index when measured from July 2010 to the realisation of the fund. Part of any performance fee earned may be payable to certain key CRPM management and staff as part of their incentive plans. The Group will also bear 29.26% (our unit holding as of 30 December 2013) of the cost of this performance fee and that payable to the fund manager as an investor in The Mall fund.

Kingfisher Limited Partnership

CRPM will earn an additional equity return if distributions result in a geared return in excess of a 15% IRR. Part of any receipt may be payable to certain key CRPM management and staff as part of their incentive plans. The Group will bear 20.00% of the cost by virtue of its investment in the Partnership.

Waterside Lincoln Limited Partnership

CRPM will earn a performance fee on sale of the Property or sale of all of the Partners interests in the Partnership if distributions have resulted in a geared return in excess of a 15% IRR. Part of any performance fee earned may be payable to certain key CRPM management and staff as part of their incentive plans. The Group will bear 50.00% of the cost of any performance fee by virtue of its investment in the Partnership.

German joint venture

Garigal will earn a performance fee if the internal rate of return is over 12% when measured from August 2010 to the realisation of the joint venture, whose current business plan runs to June 2013. Up to 80% of any performance fee earned may be payable to certain key Garigal management and staff as part of their incentive plans. The Group will also bear 49.60% of the cost of this performance fee as an investor in the German joint venture.

The Junction Fund

A performance fee of £2.6 million was recognised within CRPM during 2012 following the acquisition of the fund by Hammerson plc. A further amount of £0.2 million was recognised and received in 2013 following the resolution of various matters upon which its payment was contingent. The Group also bore 13.29% of the cost of the performance fee through its share of The Junction Fund prior to disposal.

Notes to the Financial Statements continued

for the year ended 30 December 2013

34 Related party transactions continued

Transactions with key personnel

In accordance with IAS24, key personnel are considered to be the executive and non-executive directors as they have the authority and responsibility for planning, directing and controlling the activities of the Group. Their remuneration in the income statement is as follows:

	Year to 30 December 2013 £m	Year to 30 December 2012 £m
Short term employment benefits	**2.3**	2.4
Post-employment benefits	**0.3**	0.2
Payment for loss of office	**0.4**	—
Share-based payments*	**0.5**	0.5
	3.5	3.1

* Share-based payments relate to amounts awarded under the 2008 LTIP.

35 Dividends

	Year to 30 December 2013 £m	Year to 30 December 2012 £m
Interim dividend per share paid for the year ended 30 December 2013 of 0.25p	**0.9**	—
Amounts recognised as distributions to equity holders in the year	**0.9**	—
Proposed second interim dividend per share for the year ended 30 December 2013 of 0.40p[1]	**1.4**	—

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

Company Balance Sheet

At 30 December 2013

Registered number: 1399411
Prepared in accordance with UK GAAP

	Note	**2013 £m**	2012 £m
Fixed assets			
Investments	C	**77.8**	79.8
Current assets			
Debtors — amounts falling due within one year	D	**160.2**	145.8
Debtors — amounts falling due after more than one year	D	**14.8**	14.2
Cash and deposits		**—**	0.3
		175.0	160.3
Creditors — amounts falling due within one year			
Trade and other creditors	E	**(65.2)**	(61.3)
		(65.2)	(61.3)
Net current assets		**109.8**	99.0
Creditors — amounts falling due after more than one year			
Loan guarantees		**—**	(0.2)
Corporation tax payable	E	**—**	—
		—	(0.2)
Net assets		**187.6**	178.6
Capital and reserves			
Called-up share capital	F	**9.9**	9.9
Merger reserve	F	**60.3**	60.3
Capital redemption reserve	F	**4.4**	4.4
Retained earnings	F	**113.0**	104.0
Shareholders' funds		**187.6**	178.6

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 20 March 2014 by:

Charles Staveley
Group Finance Director

Notes to the Company Financial Statements

For the year ended 30 December 2013

A Accounting policies

Although the Group consolidated financial statements are prepared under IFRS, the Company financial statements for Capital & Regional plc presented in this section are prepared under UK GAAP. The main accounting policies have been applied consistently in the current year and the preceding year.

Investments, amounts owed by subsidiaries and amounts owed by associates and joint ventures are stated at cost less provision for impairment. Where there is an indication that an investment is impaired, an impairment review is carried out by comparing the carrying value of the investment against its recoverable amount, which is the higher of its estimated value in use and fair value. This review involves accounting judgements about the future cash flows from the underlying associates and joint ventures and, in the case of CRPM, estimated asset management fee income less estimated fixed and variable expenses.

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

The Company's related party transactions are described in note 34 to the Group financial statements. The Company had no direct employees during the year (2012: none). Information on the directors' emoluments, share options, long-term incentive schemes and pension contributions is shown in the Directors' Remuneration Report.

B Profit/(Loss) for the year

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders was £16.5 million (2012: loss of £26.0 million).

C Fixed asset investments

	Subsidiaries £m	Joint ventures £m	Other investments £m	**Total £m**
At the start of the year	78.8	1.0	—	**79.8**
Investment	10.2	—	—	**10.2**
Disposals	(1.5)	—	—	**(1.5)**
Impairment of investments	(10.7)	—	—	**(10.7)**
At the end of the year	76.8	1.0	—	**77.8**

During the year several of the Company's subsidiaries converted intercompany balances payable to the Company to equity resulting in a £9.0 million (2012: £4.8 million) increase in the Company's investment in subsidiaries balance.

Note G shows the principal subsidiaries, associates and joint ventures held by the Group and the Company.

D Debtors

Amounts falling due within one year	**2013 £m**	2012 £m
Amounts owed by subsidiaries	**159.1**	145.8
Other receivables	**1.1**	—
	160.2	145.8

Amounts falling due after more than one year	**2013 £m**	2012 £m
Amounts owed by joint ventures	**14.8**	14.2
	14.8	14.2

E Creditors

Amounts falling due within one year	2013 £m	2012 £m
Amounts owed to subsidiaries	**64.4**	58.8
Trade payables	**0.1**	
Current tax payable	**—**	0.7
Accruals and deferred income	**0.7**	1.8
	65.2	61.3

Amounts falling due after more than one year	2013 £m	2012 £m
Corporation tax payable		
From one to two years	**—**	—
	—	—

F Share capital and reserves

	Non-distributable			Distributable		
	Share capital £m	Capital redemption reserve £m	Retained earnings £m	Retained earnings £m	Merger reserve £m	Total £m
At the start of the year	9.9	4.4	3.0	101.0	60.3	**178.6**
Retained profit for the year	—	—	(0.4)	10.5	—	**10.1**
Dividends paid	—	—	—	(0.9)	—	**(0.9)**
Other movements	—	—	—	(0.2)	—	**(0.2)**
At the end of the year	9.9	4.4	2.6	110.4	60.3	**187.6**

The Company's authorised, issued and fully paid-up share capital is described in note 23 to the Group financial statements. The other reserves are described in the consolidated statement of changes in equity in the Group financial statements.

Notes to the Company Financial Statements

For the year ended 30 December 2013

G Principal subsidiaries, associates and joint ventures

	Nature of business	Share of voting rights
Incorporated/registered and operating in Great Britain		
Capital & Regional Earnings Limited	Property management	100%
Capital & Regional Income Limited	Property investment	100%
Capital & Regional Holdings Limited	Property investment and management	100%*
Capital & Regional Property Management Limited	Property management	100%
Capital & Regional Units LLP	Property investment	100%
Snozone Limited	Operator of indoor ski slopes	100%
The Auchinlea Partnership	Property investment	50%
Waterside Lincoln Limited Partnership	Property investment	50%
Kingfisher Limited Partnership	Property investment	20%
Incorporated/registered and operating in Germany		
Garigal Asset Management GmbH	Property management	30.06%
Incorporated/registered and operating in Jersey		
Capital & Regional Capital Partner Limited	Property investment	100%
Capital & Regional (Europe Holding 5) Limited	Property investment	100%
Capital & Regional (Europe LP) Limited	Property investment	50%*
Capital & Regional (Europe LP 2) Limited	Property investment	50%*
Capital & Regional (Europe LP 3) Limited	Property investment	50%*
Capital & Regional (Europe LP 5) Limited	Property investment	50%*
Capital & Regional (Europe LP 6) Limited	Property investment	50%*
Euro B-Note Holding Limited	Finance	49.90%*
The Mall Unit Trust	Property investment	29.26%
Incorporated/registered in Jersey and operating in Great Britain		
Capital & Regional (Jersey) Limited	Property investment	100%
Capital & Regional Hemel Hempstead (Jersey) Limited	Property investment	100%*

* Held directly by the Company or, in the case of the Europe LPs, part-held directly by the Company and part-held through a subsidiary and in the case of Euro B-Note Holding Limited, part held through a subsidiary and part held through the ESOT.

The shares of voting rights are equivalent to the percentages of ordinary shares or units held by the Group.

To avoid a statement of excessive length, details of investments which are not significant have been omitted. All of the above principal subsidiaries, associates and joint ventures have been consolidated in the Group financial statements. Investments in associates and joint ventures are analysed in notes 16d and 16e to the Group financial statements.

Glossary of Terms

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from The Mall and certain other associates and joint ventures of the Group. It also earned management and performance fees from The Junction until the Group disposed of its interest on 19 October 2012. It also owned the Group's 50% share in X-Leisure Limited prior its disposal on 16 January 2013.

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

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

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

Debt is borrowings, excluding unamortised issue costs.

EPRA earnings per share (EPS) is the profit/(loss) after tax excluding gains on asset disposals and revaluations, movements in the fair value of financial instruments, intangible asset movements and the capital allowance effects of IAS12 "Income Taxes" where applicable, less tax arising on these items, divided by the weighted average number of shares in issue during the year excluding own shares held.

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

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

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

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

Garigal is Garigal Asset Management GmbH, an associate of the Group, which earns management and performance fees from the German joint venture.

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

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

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

Like for like figures exclude the impact of property purchases and sales on year to year comparatives.

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

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

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

Net initial yield (NIY) is the annualised net rent generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties, which is in line with EPRA's best practice recommendations.

Net debt to property value is debt less cash and cash equivalents divided by the property value (including adjustments for tenant incentives and head leases).

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

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

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

Glossary of Terms continued

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

Property under management (PUM) is the valuation of properties for which CRPM, X-Leisure Limited (until disposal on 16 January 2013) or Garigal is the asset manager.

Recurring pre-tax profit is the total of Contribution, the Group's share of management fees less fixed management expenses earned by CRPM, X-Leisure Limited (in 2012 until reclassification as held for sale) and Garigal, the profit from Snozone and any fixed central costs and interest. Recurring pre-tax profit includes results from Discontinued Operations up until the point of disposal or reclassification as held for sale.

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

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

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

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

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

Temporary lettings are those lettings for one year or less.

Topped-up net initial yield is the net initial yield adjusted for the expiration of rent-free periods or other unexpired lease incentives.

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

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

Vacancy rate is the ERV of vacant properties expressed as a percentage of the total ERV of the portfolio, excluding development properties, in line with EPRA's best practice recommendations.

Variable overhead includes discretionary bonuses and the costs of awards to directors and employees made under the 2008 LTIP, COIP and SAYE Scheme, which are spread over the performance period.

Five Year Review

for the year 30 December 2012 to 30 December 2013

	2013 £m	2012[1] £m	2011[1] £m	2010 £m	2009 £m
Balance sheet					
Property assets	**—**	78.4	80.0	80.8	94.4
Other non-current assets	**23.5**	24.4	34.3	27.1	26.3
Intangible assets	**—**	—	1.8	1.9	2.6
Investment in joint ventures	**32.3**	25.7	27.2	25.7	30.3
Investment in associates	**112.1**	80.7	120.2	110.8	76.4
Cash at bank	**11.1**	5.3	20.0	25.7	17.5
Assets classified as held for sale	**8.5**	32.2	—	—	—
Other net current liabilities	**2.2**	(7.2)	(13.0)	(10.2)	(25.7)
Bank loans greater than one year	**—**	(58.3)	(61.6)	(68.8)	(78.6)
Other non-current liabilities	**(1.0)**	(1.6)	(12.9)	(18.5)	(13.4)
Net assets	**188.7**	179.6	196.0	174.5	129.8
Financed by					
Called up share capital	**9.9**	9.9	9.9	9.9	9.9
Share premium account	**—**	—	—	—	—
Revaluation reserve	**—**	—	—	—	—
Other reserves	**66.3**	75.2	70.4	147.9	148.3
Retained earnings/(loss)	**112.5**	94.5	115.7	16.7	(28.4)
Capital employed	**188.7**	179.6	196.0	174.5	129.8
Return on equity					
Return on equity (%)	**5.1%**	(8.5)%	11.9%	33.9%	(64.3)%
Increase/(decrease) in net assets per share + dividend (%)	**5.8%**	(8.4)%	11.8%	35.1%	(72.3)%
Total shareholder return	**53.9%**	(9.5)%	(3.8)%	(2.2)%	(24.7)%
Period end share price (pence)	**44p**	29p	32p	33p	34p
Total return					
Total comprehensive income/(expense)	**9.2**	(16.6)	20.7	44.0	(119.7)
Net assets per share (pence)					
Basic net assets per share	**54p**	51p	56p	50p	37p
EPRA triple net assets per share	**54p**	51p	56p	50p	37p
EPRA net assets per share	**56p**	55p	63p	57p	47p
EPRA triple net assets per share growth (%)	**4.8%**	(8.3)%	11.9%	35.1%	(72.3)%
Gearing (%)	**—**	32.6%	34.3%	40.4%	61.9%
Gearing (%) on a see-through basis	**134.9%**	179.2%	253.6%	305.0%	508.7%
Income statement[1]					
Group revenue	**17.6**	22.0	28.9	30.7	37.8
Gross profit	**9.6**	13.1	17.2	20.3	21.8
Profit/(loss) on ordinary activities before financing	**9.1**	(13.3)	16.2	52.6	(105.1)
Net interest payable	**0.2**	0.6	(3.4)	(6.2)	(8.3)
Profit/(loss) on ordinary activities before tax	**9.3**	(12.7)	12.8	46.4	(113.4)
Tax (charge)/credit	**0.2**	0.9	(2.0)	(2.0)	(6.3)
Profit/(loss) after tax	**9.5**	(11.8)	10.8	44.4	(119.7)
Recurring pre-tax profit	**14.0**	13.3	16.4	14.9	17.5
Fully taxed recurring dividend cover (x)	**4.7**	—	—	—	—
Interest cover (x)	**3.9**	3.7	5.5	4.1	2.8
Earnings per share (pence)					
Basic	**3p**	(5)p	6p	13p	(59)p
Diluted	**3p**	(5)p	6p	13p	(59)p
EPRA	**2p**	1p	5p	4p	1p
Dividends per share	**0.65p**	—	—	—	—

1 2012 and 2011 results have been restated from those originally presented in those respective years to separate discontinued operations as explained in Note 29.

Property Under Management Information

At 30 December 2013

Property under management	30 December 2013 £m	30 December 2012 £m	30 December 2011 £m	30 December 2010 £m	30 December 2009 £m
Wholly owned	**8**	81	81	82	84
Associates	**820**	983	1,824	2,132	2,408
Joint ventures	**369**	365	576	547	648
Other property	**—**	—	—	71	—
Total	**1,197**	1,429	2,481	2,832	3,140

Figures exclude adjustments to property valuations for tenant incentives and head leases treated as finance leases. Trading properties are included at the lower of cost and net realisable value.

EPRA Performance Measures

At 30 December 2013

	2013	2012
EPRA earnings (£m)	**9.2**	8.1
EPRA earnings per share	**3p**	2p
EPRA net assets (£m)	**195.3**	193.4
EPRA net assets per share	**56p**	55p
EPRA triple net assets (£m)	**188.7**	179.1
EPRA triple net assets per share	**54p**	51p
EPRA net initial yield	**6.3%**	6.5%
EPRA topped-up net initial yield	**6.7%**	6.7%
EPRA vacancy rate (UK portfolio only)	**4.4%**	4.0%

Reconciliation of EPRA Net Initial Yield and EPRA Topped-Up Net Initial Yield

	2013 £m	2012 £m
Investment property — wholly owned	**8.5**	8.4
Investment property — share of joint ventures and associates	**411.5**	380.3
Trading property	**—**	72.5
Less developments	**(8.4)**	(8.4)
Completed property portfolio	**411.6**	452.8
Allowance for capital costs	**8.2**	8.4
Allowance for estimated purchasers' costs	**14.3**	35.0
Grossed up completed property portfolio valuation	**434.1**	496.2
Annualised cash passing rental income	**31.5**	36.8
Property outgoings	**(4.0)**	(4.4)
Annualised net rents	**27.5**	32.4
Add: notional rent expiration of rent free periods or other lease incentives	**1.5**	1.1
Topped up annualised rent	**29.0**	33.5
EPRA net initial yield	**6.3%**	6.5%
EPRA topped-up net initial yield	**6.7%**	6.7%

Covenant Information

At 30 December 2013

	See-through borrowings £m	Covenant	30 December 2013	Future changes
Core revolving credit facility				
Asset cover	—	Greater than 200%	**n/a**	
Gearing	—	Less than 100%	**n/a**	
ICR	—	Greater than 150%	**n/a**	
The Mall				
LTV	111.1	71%	**55%**	Reducing to 65% by December 2014
ICR	—	Greater than 130%	**216%**	
Germany				
LTV				
Portfolios 1,2 and 5	58.3	85%	**79%**	
Portfolio 3	39.5	n/a	**n/a**	
Portfolio 6	21.8	n/a	**n/a**	
ICR				
Portfolio 3	—	Greater than 160%	**294%**	
Portfolio 6	—	Greater than 140%	**596%**	
DSCR				
Portfolios 1, 2 and 5	—	Greater than 120%	**168%**	
Portfolio 3		Greater than 110%	**156%**	
Portfolio 6		Greater than 110%	**253%**	
Waterside Lincoln				
LTV	6.8	60%	**43%**	
ICR	—	Greater than 175%	**242%**	
Redditch[1]				
LTV	17.1	73%	**63%**	Reducing to 69% in May 2015
ICR	—	Greater than 175%	**219%**	Increasing to 200% in May 2015
Debt to rent	—	< 1000%	**854%**	Reducing to 900% in May 2015
	254.6			

1 Reflects revised terms following re-financing completed in February 2014.

Other Information

Fund Portfolio Information (100% figures)

At 30 December 2013

	The Mall	German Portfolio
Physical data		
Number of properties	6	25
Number of lettable units	716	200
Lettable space (sq feet — ‘000s)	3,245	3,322
Valuation data		
Properties at independent valuation (£m)	684.7	336.8
Adjustments for head leases and tenant incentives (£m)	47.7	(1.0)
Properties as shown in the financial statements (£m)	**732.3**	**335.8**
Revaluation in the year (£m)	(2.4)	(4.7)
Initial yield	6.8%	6.8%
Equivalent yield	7.2%	n/a
Property level return	3.6%	4.1%
Reversionary	15.0%	n/a
Loan to value ratio	55.4%	71.5%
Net debt to value ratio	46.0%	69.2%
Lease length (years)		
Weighted average lease length to break	8.3	8.1
Weighted average lease length to expiry	9.2	8.1
Passing rent (£m) of leases expiring in:		
2014	6.8	0.5
2015	4.2	2.5
2016-2018	12.1	8.1
ERV (£m) of leases expiring in:		
2014	8.0	n/a
2015	4.5	n/a
2016-2018	11.9	n/a
Passing rent (£m) subject to review in:		
2014	4.7	n/a
2015	7.6	n/a
2016-2018	9.6	n/a
ERV (£m) of passing rent subject to review in:		
2014	5.0	n/a
2015	7.6	n/a
2016-2018	9.3	n/a
Rental Data		
Contracted rent at year end (£m)	56.9	n/a
Passing rent at year end (£m)	53.8	25.2
ERV at year end (£m per annum)	61.9	n/a
ERV movement (%)	(1.3)%	n/a
Vacancy rate (%)	4.7%	2.5%
Like for like net rental income (100%)		
Current year net rental income (£m)		
Properties owned throughout 2012/2013	48.0	22.6
Disposals	4.7	0.1
Net rental income	**52.7**	**22.7**
Prior year net rental income (£m)		
Properties owned throughout 2012/2013	49.2	24.9
Disposals	14.8	2.0
Net rental income	**64.0**	**26.9**
Other Data		
Unit Price (£1.00 at inception)	£0.37	n/a
Group share	29.26%	49.60%

Property Information

At 30 December 2013

The Mall properties

Property	Description	Lettable space (sq feet)	Car park spaces	Principal occupiers	Number of lettable units
Valued at £125m plus					
The Mall, Luton	Leasehold covered shopping centre on two floors, offices extending to over 65,000 sq ft	900,000	1,706	Debenhams, Boots, Primark, H&M, Next, Top Shop, Marks & Spencer, Wilkinson, TK Maxx	163
The Mall, Wood Green	Freehold, partially open shopping centre, on two floors with nearly 40,000 sq ft of offices	550,000	1,500	Primark, Wilkinson, H&M, Boots, Argos, TK Maxx, WH Smith, New Look, Next	104
Valued at £70m to £125m					
The Mall, Blackburn	Leasehold partially covered shopping centre on three floors	600,000	1,304	Debenhams, Primark, H&M, Next, Boots, Argos, BHS	127
The Mall, Maidstone	Freehold covered shopping centre on three floors with offices extending to 40,000 sq ft	500,000	1,050	Boots, BHS, New Look, Wilkinson, Next, Sports Direct	103
The Mall, Camberley	Part leasehold covered shopping centre on one floor	390,000	1,049	House of Fraser, Top Shop, Boots, Primark, Sainsburys, Argos, River Island	154
The Mall, Walthamstow	Freehold covered shopping centre on two floors	260,000	850	Asda, BHS, Boots, New Look, River Island, Top Shop	64

Other properties

Property	Description	Lettable space (sq feet)	Principal occupiers	Number of lettable units
Valued at above £50m				
Kingfisher Shopping Centre, Redditch (20%)	Freehold covered shopping centre on two principal trading levels	900,000	Debenhams, Marks & Spencer, Primark, Next, Arcadia, TK Maxx	165
Valued at below £50m				
Waterside Shopping Centre, Lincoln (50%)	Freehold covered shopping centre on three floors	120,000	New Look, Top Shop, Stormfront, Food Court	38

Property Information continued

At 30 December 2013

German properties[1]

Property	Description	Lettable space (sq m)	Principal occupier	JV share
Valued at €50 million to €100 million				
Dortmund	Retail park	33,900	Real	100%
Valued at €20 million to €50 million				
Lübeck	Retail park	29,100	Coop	100%
Hameln	Retail park	16,900	Kaufland	100%
Trier – Kenn	Hypermarket	11,600	Real	100%
Walldorf	Retail park	12,200	Rewe	100%
Schwäbisch Hall	Retail park	22,400	Kaufland/Hela	95%
Ingelheim	Hypermarket	10,200	Real	100%
Sinzheim	Hypermarket	16,500	Real	100%
Valued at €10 million to €20 million				
Brühl	Hypermarket	20,200	Real	100%
Marl	Retail park	8,800	Kaufland	100%
Lauchhammer	Hypermarket/DIY	17,200	Marktkauf	100%
Köln	Hypermarket	9,000	Real	100%
Herne	Hypermarket	8,000	Rewe & Toom	100%
Stadthagen	DIY	10,900	Hagebau	100%
Bochum Langendreer	Hypermarket	6,400	Kaufland	91.5%
Balingen	DIY	7,500	Toom	100%
Valued at less than €10 million				
Oschersleben	Hypermarket/DIY	10,500	Toom/Marktkauf	95%
Bad Sobernheim	Hypermarket	7,400	Real	95%
Hösbach	DIY	14,900	Globus Fachmarkte	100%
Heide	Retail Park	4,600	Woolworths	100%
Bochum — Wattenscheid	Retail/Leisure	10,000	Fit X	100%
Leverkusen	Hypermarket	6,600	Edeka	100%
Kirchheimbolanden	Supermarket	2,600	HIT Handelsgruppe	100%
Aachen	DIY	2,800	Hammer	100%
Kreuztal	N/A	6,400	N/A	100%

1 Excluding German Portfolio 4 (see Note 16c of Group Financial statements).

Advisers and Corporate Information

At 30 December 2013

Auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Investment bankers/brokers
JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Principal legal advisors
Olswang LLP
90 High Holborn
London WC1V 6XX

Principal lending bankers
Bank of Scotland Plc part of Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

Principal valuers
CB Richard Ellis Limited
Kingsley House
1a Wimpole Street
London W1G 0RE

Cushman & Wakefield LLP
43/45 Portman Square
London W1A 3BG

DTZ
48 Warwick Street
London W1B 5NL

Registered office
52 Grosvenor Gardens
London SW1W 0AU
Telephone: +44 (0)20 7932 8000
Facsimile: +44 (0)20 7802 5600
www.capreg.com

Registered number
1399411

Shareholder Information

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0871 384 2438

Calls cost 8p per minute plus network extras. Lines open 8.30am to 5.30pm, Monday to Friday. Overseas shareholders should call +44 121 415 7047.

2014 financial calendar

Annual General Meeting	June 2014
2014 interim results	August 2014
2014 annual results	March 2015

Capital&Regional plc

52 Grosvenor Gardens
London
SW1W 0AU

Telephone: +44 (0)20 7932 8000

www.capreg.com