Capital& Regional

Annual Report and Accounts

for the year ended 30 December 2015

Stock Code: CAL

Welcome to the Capital & Regional Annual Report 2015

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

Capital & Regional owns seven shopping centres in Blackburn, Camberley, Hemel Hempstead, Luton, Maidstone, Walthamstow and Wood Green. It also has a 20% joint venture interest in the Kingfisher Centre in Redditch and a 50% joint venture in the Buttermarket Centre, Ipswich. Capital & Regional manages these assets, which comprise over 950 retail units and attract c. 1.8 million shopping visits each week, through its in-house expert property and asset management platform.

Investment Case

— Uniquely positioned portfolio of shopping centres with strong cash generating characteristics and future growth potential

— A dynamically managed £65 million Capex programme which unlocks growth potential and generates very attractive returns

— Entrepreneurial approach to acquisitions coupled with our asset management capabilities further boosts return potential

— Recycling of capital enables us to crystallise gains and reallocate funds to more accretive investments

— Targeting dividend growth in the range of 5% to 8% per annum in the medium term

Contents

Financial Highlights

Operating Profit[1]

£24.0m

(2014: £19.3m)

2015	£24.0m
2014	£19.3m

Profit for the Period

£100.0m

(2014: £75.2m)

2015	£100.0m
2014	£75.2m

Total Shareholder Return[2]

29.8%

(2014: 24.7%)

2015	29.8%
2014	24.7%

Total Dividend per Share

3.12p

(2014: 0.95p)

2015	3.12p
2014	0.95p

NAV per Share

72p

(2014: 60p)

2015	72p
2014	60p

EPRA NAV per Share

71p

(2014: 59p)

2015	71p
2014	59p

See-through net debt to property value[3, 4]

41%

(2014: 45%)

2015	41%
2014	45%

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

Operational Highlights

- Net Rental Income on our wholly owned Mall portfolio of £47.1 million, an increase of 7.3% on a like-for-like basis.
- 72 new lettings with rent of £5.4 million at significant premium to ERV.
- Strong occupancy, further improved to 97.1% (December 2014: 96.1%).
- Continued progress on £65 million Mall Capex plan, including the:
  - £3.2 million redevelopment of Ainsworth Mall in Blackburn, new gym handed over Q1 2016.
  - Refurbishment of Walthamstow completed (£3 million) and Maidstone (£4 million) due to complete in June 2016.
  - New Sports Direct and TK Maxx units open and trading in Walthamstow.
- Selection of Barratt London as preferred development partner for extension of The Mall, Walthamstow to provide 92,000 sq ft of new retail space and over 400 residential units.
- £35.5 million acquisition of The Marlowes Centre, Hemel Hempstead completed in February 2016 supplemented by combined £18.3 million purchases of adjacent Edmonds Parade and Fareham House properties to further consolidate dominance of the town centre retail offer.
- Unsolicited offers received for Buttermarket Centre, Ipswich provide potential for realising significant returns on completion of leisure redevelopment work in summer 2016.

Our Portfolio

Wholly Owned Assets

The Mall, Blackburn

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

The Mall, Camberley

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

The Marlowes, Hemel Hempstead – acquired February 2016

- Freehold covered shopping centre
- 340,000 sq ft (including Edmonds Parade and Fareham House properties)
- 87 retail units
- Principal occupiers – M&S, Wilko, Argos, New Look, Deichmann, Metro Bank, River Island

The Mall, Luton

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

The Mall, Maidstone

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

The Mall, Walthamstow

- Leasehold covered shopping centre on two floors
- 260,000 sq ft
- 64 retail units

Principal occupiers – Asda, Boots, New Look, River Island, Topshop

The Mall, Wood Green

— Freehold, partially open shopping centre on two floors

— 540,000 sq ft

— 101 retail units

— Principal occupiers – Primark, Wilko, H&M, Boots, Argos, TK Maxx, WH Smith, New Look, Next

Joint Venture Assets

Buttermarket Centre, Ipswich

— Acquired in a 50:50 JV with Drum Property Group in March 2015

— Freehold covered shopping centre over two core trading levels

— 235,000 sq ft

— 23 retail units

— Principal retail occupiers – TK Maxx, Boots, New Look, Laura Ashley

— Transformational Leisure offering opening in 2016 – Empire Cinema, Pure Gym, nine new restaurants

Kingfisher Shopping Centre, Redditch

— C&R owns 20% in JV with Oaktree Capital Management

— Freehold covered shopping centre on two principal trading levels

— 900,000 sq ft

— 174 retail units

— Principal occupiers – Debenhams, M&S, Primark, Next, Arcadia, TK Maxx

Our Portfolio

Scale and Strength

— Market value of **£1.0bn+**

— **4.6m sq ft** lettable floor space

— Over **950** retail units

— Over **11,500** car parking spaces

— **93 million** visits in 2015

Wholly Owned Assets

JV Assets

Snozone

— 100% subsidiary

— Largest indoor ski slope operator in the UK

— Operating at Milton Keynes and Castleford

— In existence since 2000 and has taught over 1.5 million people to ski or snowboard

Chairman's Statement

"This overall level of performance reinforces the Board's confidence that retailers and leisure operators are responding very positively to the investment being made in our shopping centres, and that this growing programme provides a sound base from which to further grow income and dividend."

Operating Profit

£24.0m

(2014: £19.3m)

Profit for the Period

£100.0m

(2014: £75.2m)

NAV per Share

72p

(2014: 60p)

Read more in our Financial Review on pages 28 to 31

Read more on our website www.capreg.com

The prospects for growth in income and dividend, together with capital appreciation, underpin Capital & Regional's strategy of focusing on a core portfolio of dominant community shopping centres.

Performance Overview

I am pleased to report a strong performance in 2015 in Capital & Regional's first year as a REIT and following the transformational corporate activity undertaken by management in 2014.

Operating Profit for 2015 has increased by 24% to £24.0 million. This outcome reflects the benefit of the cost synergies achieved following the integration of the Mall Fund, as well as the initial income uplift derived from the Company's existing asset management programme. Profit for the period has increased from £75.2 million to £100.0 million, primarily reflecting unrealised valuation gains during the year.

NAV per share has increased by 20% to 72p, reflecting an increase in property valuations of 8% after adjusting for capital expenditure. The strengthening investment market was the principal driver of valuation gains in the first half of the year. However, as the year has progressed, the impact of growth in income and the resultant repositioning of the schemes have been the more important drivers of the rise in valuations.

This overall level of performance reinforces the Board's confidence that retailers and leisure operators are responding very positively to the investment being made in our shopping centres, and that this growing programme provides a sound base from which to further grow income and dividend.

Strategy

The prospects for growth in income and dividend, together with capital appreciation, underpin Capital & Regional's strategy of focusing on a core portfolio of dominant community shopping centres. High footfall and attractively priced space not only ensure that the current tenant base trades profitably, but also attracts an increasing range of fashion retailers and leisure operators to our centres.

Execution of the highly accretive £65 million capital programme in The Mall is gathering momentum. Additional investment opportunities within the portfolio have been identified which will support further growth in the medium term, whilst Capital & Regional's presence in town centres also gives it a position of influence as councils look to regenerate the town centres.

This repositioning is already leading to attractive opportunities to further consolidate our market leading position in the towns in which we are located.

Whilst organic growth is driving much of the expected increase in income, selective acquisitions provide opportunities to accelerate growth. This is well evidenced by the acquisition of Buttermarket, Ipswich in March 2015 as well as, shortly after the year end, The Marlowes, Hemel Hempstead. Not only do these acquisitions leverage our management platform and provide a showcase for the Group's asset management skills, they also contribute to income and dividend growth.

Secondary Listing

In October 2015 we commenced a secondary listing on the Main Board of the Johannesburg Stock Exchange (JSE) in South Africa, following strong interest we had received from South African institutional and private investors. The JSE listing has helped in starting to broaden the depth and spread of our shareholder base and provides good scope for further improving the liquidity of our shares as well as enhancing potential funding options for pursuing future growth and investment opportunities.

Dividend

For 2015, the Board is proposing a final dividend of 1.62p per share, taking the full year dividend to 3.12p, representing an increase of 228% compared to last year. This is ahead of the guidance of 2.9p per share provided with last year's full year results and that of at least 3.0p per share given with the interim results in August 2015 and the trading update issued on 13 January 2016.

Reflecting the growth prospects for the business, the Group is targeting growth in dividend in the range of between 5% and 8% per annum in the medium term.

Responsible Business

A ninth consecutive ROSPA Gold Award highlights the importance we attach to continually advancing health and occupational safety standards across our shopping centres.

ROSPA Gold Award for the ninth consecutive time

Given the current security environment, there has been a significant increase in the training of our operational teams to ensure that they, as well as our retailers and shoppers, are as well prepared as possible to respond to any potential threat. Expert advice is sought from the police locally, as well as our security advisers to ensure we are in a position to be able to respond quickly and appropriately to potential security incidents.

The Group actively seeks to take steps to reduce its environmental impact. Once again, we have received recognition for our achievements which include:

- Green Star status in the Global Real Estate Benchmark Retention of the Carbon Trust standard for a seventh year; and
- No. 2 position in the Real Estate Environmental Benchmark on a survey across 100 shopping centres in the UK.

The Group takes pride in its role at the heart of the communities in which we are present. Each shopping centre team is encouraged to raise money on behalf of local charities and across the portfolio, we raised over £270,000 on behalf of local charities, an increase of 8% on last year.

The Board

In anticipation of Philip Newton stepping down as a Non-Executive Director at the annual general meeting in 2016, we welcome Laura Whyte as a Non-Executive Director, having joined the Board on 1 December 2015. Laura brings a wealth of experience from a successful career with the John Lewis Partnership, where she served in two separate roles on the Managing Board for over 10 years, firstly as Registrar and latterly as HR Director.

Wessel Hamman joined the Board in June 2015, replacing Neno Haasbroek as Parkdev's second Board representative. Wessel brings extensive experience and knowledge of the real estate market and of property finance.

I would like to thank both Philip and Neno for their significant contribution over nine and six years respectively, during which time Capital & Regional's fortunes have been transformed.

People

Finally I would like to thank all staff for their contribution during 2015. Our teams' constant focus on operational excellence and adopting an entrepreneurial approach towards acquisitions and asset management opportunities is one of the Group's key differentiators and remains critical to the creation of future value for our shareholders.

John Clare CBE
Chairman

Attractive and inviting **environments**

Our centres sit at the heart of the communities they serve. Investing in the physical attributes of our centres ensures that customers continue to enjoy a great experience with us, and that retailers can be confident in the effectiveness of our locations

Capital&
Regional

People

Lee-Ann Edwards

Technical Facilities Manager

Joining C&R last year, Lee-Ann has been enthused by the can do attitude across the business. She has embraced our core values and built great relationships with our on-site teams and partner suppliers. As the central lynchpin of the FM team, Lee-Ann facilitates the delivery of consistently high quality standards, award winning environmental savings and industry leading maintenance programmes and in doing so she enjoys reducing occupancy costs for our retail partners.

Chief Executive's Statement

"Operationally, this has been an important year for Capital & Regional. We have consolidated and grown our portfolio through progress on the delivery of the Capex programme, and our entrepreneurial approach to acquisitions has enabled us to further showcase the depth of our asset management capabilities."

OPEN

Occupancy

97.1%

(2014: 96.1%)

Retailer sales up

1.7%

C&R Trade Index

Read more in our **Financial Review** on pages **28** to **31**

Read more on our website **www.capreg.com**

The Group is reporting a further improvement in its key operational metrics for 2015.

Strong Operational Performance

This is another strong endorsement of the successful repositioning of the Company over the past few years as well as the expertise and ability of our property and asset management team to create value.

Occupancy was very strong at 97.1%, an uplift of 1.0% compared to 96.1% at 30 December 2014.

Retailer sales, as measured by our in-house "C&R Trade Index", were up 1.7% year-on-year compared to the average 2015 figure for the British Retail Consortium index (which includes online sales) of 0.9%.

New lettings and lease renewals increased from £5.3 million in 2014 to £7.8 million in 2015, an increase of almost 50%. Lettings and renewals (for leases with a term of five years or more and no turnover element) were agreed at an average increase of 18.5% above ERV.

Like-for-like rental income within our wholly owned portfolio increased by 7.3%, reflecting cost savings and an increase in gross income in H2. This strong performance reflects both the strength of the underlying assets and the very positive impact of the asset management programme.

Accelerating Momentum in Asset Management

Lettings to leisure operators were a dominant theme in 2015, as we sought to address the fact that our portfolio has been traditionally underweight to this increasingly important element of the tenant mix, which is seen as a key driver of footfall and dwell time, as well as an anchor for other tenants. In line with this, lettings to leisure operators (including gyms, restaurants, cinemas and hotels) accounted for £2.2 million or 40% of new lettings in 2015, and 8.3% of the ERV of our Mall and Redditch schemes as at 30 December 2015, as operators responded positively to the investment we are making to create attractive space.

The Travelodge at Wood Green is a case in point. Originally planned as a 35 room hotel for which planning consent was achieved in October 2015, we have now agreed a lease and obtained planning for an increase in the size of the hotel to 78 rooms. This gives economies of scale to Travelodge, but is more attractive for Capital & Regional given higher per room rents for a larger hotel. This letting also highlights the dynamic approach to the management of initiatives within the Capex programme.

Capex has been prioritised to support the increase in size of the hotel given the very attractive returns, helping to ensure that we outperform our 10% income return target for the programme as a whole.

Entrepreneurial Approach to Acquisitions

One of the most significant and successful asset management initiatives falls outside of the £65 million Capex programme. The Buttermarket Centre, Ipswich was acquired for £9.25 million in a joint venture with Drum Property in March 2015 and since then rapid progress has been made.

The introduction of a 12-screen Empire cinema has been a catalyst for the transformation of a tired shopping centre to a vibrant leisure and retail destination. We expect the scheme to be fully let by Practical Completion later this year, with an attractive mix of restaurant offers alongside the cinema, a gym and a reconfigured TK Maxx and New Look.

At year end, the Buttermarket Centre was valued at £27.9 million, reflecting a gain of £10.8 million since acquisition over and above the £7.9 million of Capex spent and illustrating the true impact of the repositioning of the scheme. On completion, while this asset would make a welcome addition to our portfolio, we believe that this is an asset which will also have appeal to UK institutional buyers. This is reflected in the unsolicited offers we have received for the asset to date, which gives us the potential to realise, should we so choose, the significant returns in the short term.

The acquisition of The Marlowes, Hemel Hempstead, completed in February 2016, offers a different type of opportunity. Acquired for £35.5 million, The Marlowes is the principal retail offer in an attractive south east catchment and, given the fragmented ownership structure across the town centre, it provides the opportunity not only to execute an attractive asset management plan, but also, in the future, to consolidate the retail offer in the town centre.

This is highlighted by the further acquisitions that we subsequently announced of the adjacent Edmonds Parade and Fareham House properties for a combined £18.3 million, which will be integrated into the main scheme.

Optimisation of Balance Sheet

The restructuring of the Group's Revolving Credit Facility has been an important step in ensuring that Capital & Regional has flexibility in the execution of tactical acquisitions as well as in the management of the Capex programme. This new £30 million facility matures in May 2019.

The Group has taken advantage of very attractive long-term rates to lock in a seven year fixed rate cost of funds to finance the acquisition of the Marlowes, Hemel Hempstead. The underlying five year facility has options to extend it to a total of seven years and was structured to fund the additional acquisitions as well as the Marlowes. Total cost of funds is around 3.3%.

The Group has begun to review options for the refinancing of the core £380 million debt facility, which comprises six wholly owned assets and matures in May 2019. It is likely that this facility will be either restructured or refinanced during the course of 2016.

Outlook

There are good reasons to be optimistic about the prospects for Capital & Regional. Retailers trade profitably in our shopping centres and the investments we are making are leading to strong interest from leisure operators and retailers wanting to come into our schemes, whilst incumbents are also upsizing. Indeed, the momentum in letting activity has picked up since the beginning of 2016 despite some continuing challenges in the operating environment. Altogether, this serves to reinforce our belief that we can deliver the promised returns in terms of both income and capital uplift from our Capex programme.

The slowdown in transactional activity in the early part of this year means that there is currently limited guidance for the future direction of property valuations. Having said that, our plans will create value irrespective of market conditions.

Management's focus is not only to deliver the previously announced asset management programme, but also to look to take advantage of opportunities adjacent to our existing schemes, which will enable us to consolidate our market position in the towns we have a presence in. We will also maintain our entrepreneurial approach to acquisitions and actively seek opportunity to recycle capital where this will crystallise attractive returns and allow a reallocation to more accretive investments. This gives us confidence that the growth prospects for the business go well beyond delivery of the £65 million Capex programme.

Hugh Scott-Barrett
Chief Executive

Our Business Model

Our core strength is acquiring, enhancing and managing dominant community shopping centres in the UK.

Complementing this we also seek to exploit entrepreneurial opportunities across the retail and leisure property sectors. With our experienced team, our strong retailer relationships and our extensive community connections, we seek to generate sustainable income growth by combining active asset management and development with operational excellence.

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

Identify › Acquire › Enhance › Income and Capital Growth

Identify	There are a number of assets that meet our potential investment criteria. Typically these will be assets that are underperforming in their catchment but have significant asset management or development opportunities. This might be in single asset purchases or opportunities to acquire and consolidate adjacent sites.	
Acquire	If suitable we will acquire, wherever possible leveraging our deep industry relationships to secure off-market transactions.	
Enhance	**Operational Excellence** — Develop excellent local team — Drive footfall with creative marketing — Maximise commercial income — Reduce costs — Enhance website and develop digital database — Embed C&R finance process	**Asset Management/Development** — Improve retail/leisure mix — Build local authority partnerships — Deliver improvements to retail environment/ refurbish — Identify and deliver development opportunities
The Result	— Improved customer experience — Attractive retail and leisure environment — Increased market share — Increased footfall and spend **All contributing to Income and Capital Growth** Each asset is held in order to generate sustainable income growth supporting our progressive dividend policy. When opportunities for further improvement become more limited we actively seek opportunities to recycle capital to allow us to reinvest into assets with greater growth potential.	

Key skills

Our ability to successfully deliver our business model is built on the key skills within our business:

Investment and development and asset management — we have a track record of delivering complex asset management and development initiatives, enhancing assets through refurbishment and extension.

Operations management — market-leading operating standards that deliver high quality shopping centre facilities with a highly efficient cost of occupation. C&R average service charge is approximately 15% lower than the JLL Oscar benchmark.

Maximising commercial opportunities — driving income from many sources including advertising, promotional space, retail merchandising units, digital commerce, gift cards and telecoms.

Retailer relations — we have a strong retail culture among the team with many staff recruited from leading retailers. This enables us as a business to create environments that are appealing to occupiers and deliver an outstanding shopping experience.

Digital innovation — we have been at the forefront of the sector in capitalising on the opportunities arriving from technological change.

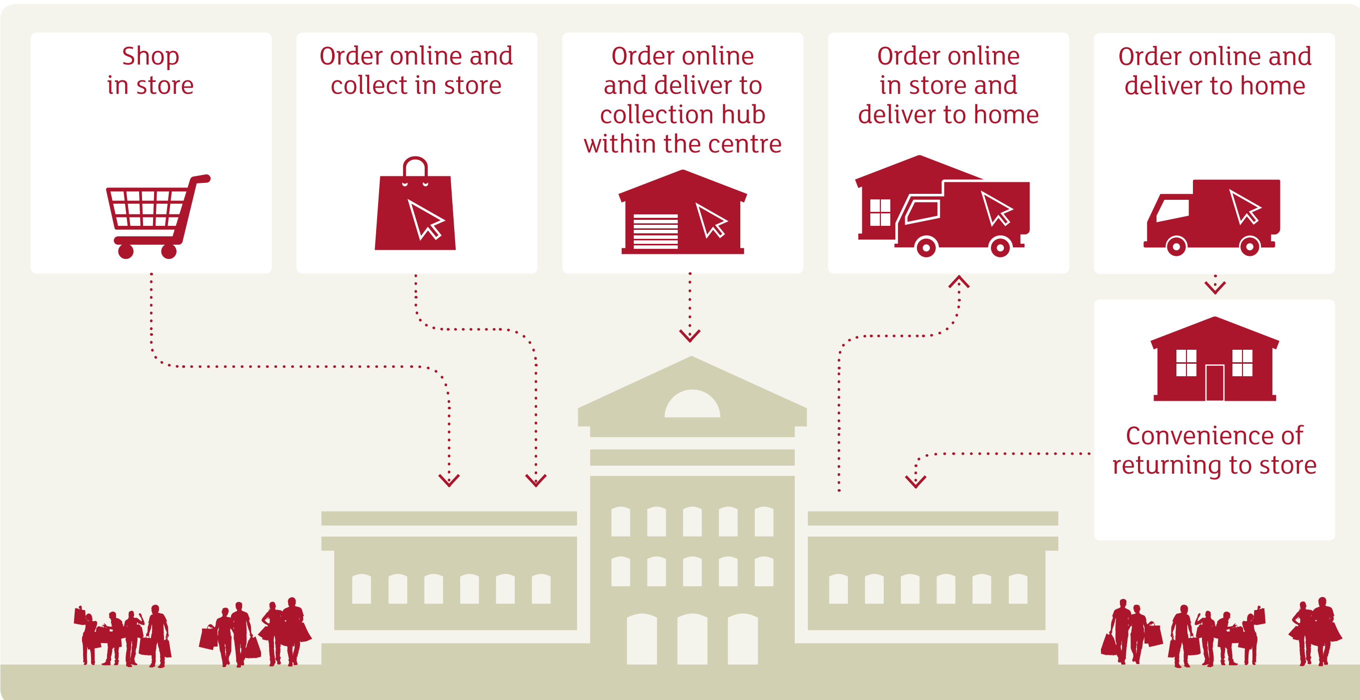
Responsible management— we have developed market leading processes that minimise our impact on the environment — see Responsible Business review on page 40.

Creative marketing — through targeted marketing we continually engage with our shoppers, encouraging repeat visits and higher spend.

Our people play an integral role in sustaining/growing our key skills and capabilities.
Read profiles for some of **our team members** on pages **07, 13, 23, 39** and **42**

Physical shops remain an integral part of a retailer's multichannel sales model.

Through the creation and management of excellent and convenient retail environments we provide accommodation that is central to the contemporary multichannel sales model.



Engaging and intuitive **digital options**

Click and Collect service continued to expand in 2015 with Collect+ hubs rolled out across our portfolio and over 20,000 parcels handled including 5,000 in December alone

New electronic RewardME card launched in 2015

Capital&Regional

People

Glen Fulton

General Manager, The Mall, Camberley

With Glen's retail background as an ex-department store manager he fully understands what makes retail work, and can talk the same language as the store managers, which in turn helps instil their confidence in him and his team. He effectively manages the day to day operation and knows exactly how to deliver a great place to shop. He also works in partnership with the town centre management team and local authority and is proud to have set up the Camberley Business Improvement District.

Our Strategy

Our strategy is focused on driving sustainable income and dividend growth, allied with strong capital returns, to deliver strong total shareholder returns.

Strategic Priority	**Invest** in our existing portfolio	**Grow** portfolio by recycling capital to more accretive investments	To be the **leading dominant community shopping centre REIT**
Aim	Continual enhancement of our assets to maintain their relevance, drive sustainable income growth.	To seek opportunities to reinvest capital that will boost income generation and support capital and dividend growth.	To deliver capital growth together with a highly attractive dividend yield.
Progress and Highlights	Further momentum on five year £65m Mall Capex plan. £11.4 million spent in 2015 including: • £3.2 million redevelopment of Ainsworth Mall in Blackburn • New Sports Direct and TK Maxx units open and trading in Walthamstow.	Investment in Buttermarket, Ipswich in March 2015. Acquisition of 6-10 Princess Way, adjoining property to our existing Camberley scheme.	REIT status effective from start of 2015 financial year. 2015 total dividend of 3.12p per share, an increase of 228% from 2014.
2016 and Beyond – Key Targets and Milestones	10% income return on £65 million Capex investment in The Mall.	Successfully integrate the 2016 acquisition of The Marlowes, Edmonds Parade and Fareham House properties in Hemel Hempstead. Seek opportunities for further investments, be those new centres or adjacencies to existing centres that further dominance and increase flexibility.	Board targeting future dividend growth in the range of 5% to 8% per annum in the medium term.
Associated Risks	1 5 6	1 7	2 6

Key to Risk

1. Property investments, market risks
2. Impact of economic environment
3. Threat from the internet
4. Concentration and scale risk
5. Development risk

Connect with communities

Digitally	Responsibly	Commercially
Be a pioneer of digital solutions to enhance shopper experience and drive footfall and rental value.	Be a positive influence on the communities we serve and the people we employ.	Maintain strong relationships with retailers and local authorities.
Collect+ rolled out across portfolio. Over 20,000 parcels handled in 2015. Launched Electronic RewardME card.	5% reduction in energy use. Retained Global Real Estate Benchmark (GRESB) Green Star Status. Retained the Carbon Trust Standard for 7th consecutive year. Achieved 2nd rank position (4th in 2014) out of 14 in the Real Estate Environmental Benchmark (REEB).	Occupancy further improved to 97.1%. Agreement in early 2016 with London Borough of Walthamstow Forest to extend headlease as part of the planned Walthamstow extension.
Roll out of Collect+ to The Marlowes and increase in number of parcels of at least 50%. Launch of new C&R website fully integrated with shopping centre sites.	Reduce CO_2 by 3.5%. Retain GRESB Green Star Status and Carbon Trust Standard. Achieve RoSPA Gold Award for 10th consecutive year.	Progress of opportunities adjacent to our existing schemes including Walthamstow extension and Camberley masterplan.

Read more in **KPIs** on pages **20** to **21**

3 4 8

Read more in **Managing Risk** on pages **32** to **37**

6 Execution of business plan

7 Property acquisition/ disposal strategy

8 Competition risk

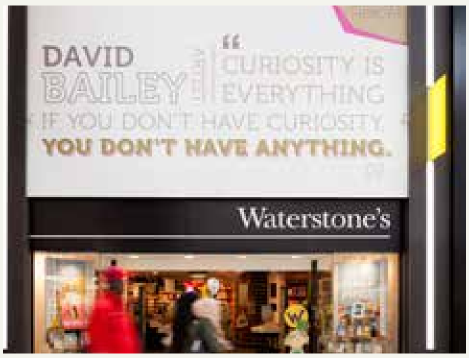
Our Strategy in Action

The Mall, Walthamstow Refurbishment

The design-led £3million refurbishment of The Mall, Walthamstow marks a significant first step in longer term plans to extend, reposition and transform the shopping centre and align it more closely with the evolving local demographic.

The refurbishment focused on the community heritage of the 25 year old scheme selecting five local creative talents to install and display an art piece representing Walthamstow. The theme followed the idea of the E17 arts trail, a local cultural event, and highlighted the borough's strong links to the arts by celebrating Walthamstow heroes including David Bailey and Alfred Hitchcock.

The refurbishment, which was shortlisted for a BCSC Gold award, enabled the delivery of two significant asset management opportunities – the creation of a 24,000 sq ft TK Maxx, and a 10,000 sq ft Sports Direct upsize – and included upgrades to shop fronts, floors and lighting, as well as a bespoke ceiling "ribbon" sculpture running through the centre. It also had a significant environmental benefit by driving 30% less energy use.



Our Strategy in Action

Redditch Refurbishment

The sensitive refurbishment of Kingfisher Shopping Centre has added a new social element with the introduction of the leisure hub incorporating casual dining restaurants Prezzo, Nandos and Real China alongside a rejuvenated cinema recently acquired by VUE and a new PureGym.

The reconfiguration of the Centre's Worcester Square and Evesham Walk mall, the retail core, has delivered a vibrant and dynamic space reflective of the community's needs and supporting the top retail brands Jack Jones, H&M, tReds, New Look, River Island and Swarovski with food outlets Ed's Diner and Fuel Juice Bar integrated between. A new customer service facility also incorporates the growing Collect+ service which is an essential element of what today's customer is looking for.

Q&A

with Mark Bourgeois Executive Director

"The portfolio leisure content has moved from 6.5% to 8.5% in the last 12 months and I see that trend continuing. There are so many exciting new leisure concepts coming to the market and our customers really enjoy trying out different experiences."

Q What were your highlights of 2015?

A It is great to see how our centres continue to deliver such solid performance with high footfall, strong occupancy and positive retailer trading. I was particularly excited by the take up of Click & Collect across the portfolio following the rollout of Collect+ in the first quarter.

On the asset management front, the Wood Green Travelodge deal was illustrative of our flexible approach. Having secured an agreement for lease for 35 rooms, the team went on to negotiate an extension to 78 rooms, thereby securing further value from this previously under-utilised space. A good example of stretching the Capex pot to drive further income.

Q Leisure was a key theme of lettings in 2015 – do you expect that to continue?

A The portfolio leisure content has moved from 6.5% to 8.3% in the last 12 months and I see that trend continuing. There are so many exciting new leisure concepts coming to the market and our customers really enjoy trying out different experiences.

Q What has been the response to the Walthamstow refurbishment?

A Our shoppers have loved the changes and we have received all sorts of great feedback. Embracing Walthamstow's cultural heritage with the William Morris inspired "floating ribbon" and the celebration of local heroes has been particularly well received. The response from retailers has also been very positive.

Q What is the biggest challenge facing shopping centres?

A Maintaining relevance in a multichannel world is critical. Those that deliver an experiential venue offering multi-channel convenience will prosper. Those that do not will evolve to become something completely different incorporating more residential and community uses. The C&R portfolio benefits from strong multi-channel relevance whilst containing all sorts of opportunities for continued sustainable growth evolution.

Q What are the most exciting opportunities across the portfolio?

A The opportunities beyond retail are really exciting. The residential element in Walthamstow is an obvious one, and we see similar angles in Camberley. There's further leisure demand in Blackburn and Maidstone and we've identified innovative schemes to deliver an evolved offer. In Luton and Wood Green, there are hugely exciting council-led town-wide regeneration plans which offer enormous potential too.

Q How important is the connection of shopping centres with their local communities?

A Community underpins the success of our centres. As such, connecting with communities is a crucial part of the C&R strategy. We do this in many ways: physically, digitally, emotionally, commercially and responsibly. It means that in parallel to delivering great returns for our investors, we're doing the right thing locally, and that's a huge source of pride and motivation for C&R people.

Q What are your priorities for the next year and beyond?

A To develop and support a first class team to maintain momentum on the Capex plan and deliver further growth for the C&R business.

Key Performance Indicators

KPI	Why we use this as an indicator	Performance
Total shareholder return	It reflects the return on investment for shareholders during the year.	2015 29.8% 2014 24.7%
Operating Profit	Operating Profit seeks to track the realised profits of the business which is the key driver for dividend payments.	2015 £24.0m 2014 £19.3m
Dividend per share	This is the cash return to be delivered to investors in respect of the year under review.	2015 3.12p 2014 0.90p
EPRA net assets per share	This is a measure of the movement in the underlying value of assets and liabilities underpinning the value of a share.	2015 71p 2014 59p
See-through net debt to property value	We aim to manage our balance sheet effectively with the appropriate level of gearing.	2015 41% 2014 45%
Like-for-like Net Rental Income (wholly owned portfolio)	This is the key driver of Operating Profit.	2015 £47.1m 2014 £43.9m
Footfall	Footfall is an important measure of a centre's popularity with customers. Occupiers use this measure as a key part of their decision-making process.	-0.4% (C&R) 2015 -1.7% (National Index) 2015
Occupancy (like-for-like)	We aim to optimise the occupancy of our centres as attracting and retaining the right mix of occupiers will enhance the trading environment.	2015 97.1% 2014 96.1%

How this links to our strategy	Progress during the year
We aim to deliver capital growth together with an attractive dividend yield.	A 29.8% return, reflecting dividend payments of 2.1p per share within the year and share price growth of 26%.
Our policy is to distribute at least 90% of the Operating Profit from our wholly owned assets.	An increase in Operating Profit of 24%, reflecting the improvement in underlying profitability and the 100% ownership of The Mall in 2015.
Going forward we target delivering dividend per share growth of between 5% and 8% per annum in the medium term.	2015 represented the first year of REIT level dividends following The Mall acquisition in 2014. The 2015 full year dividend represented a 228% increase on the prior year.
We aim to maximise the value of our assets. Our Capex investment programme is planned to deliver a capital return over and above the income enhancement.	An increase of 12p, representing over 20% growth from 2014. This was driven primarily by property revaluation from a combination of a strengthening investment market and the impact of income growth and the resultant repositioning of our schemes.
Having the appropriate level of gearing is important to effectively managing our business through the property cycle. Our target range is 40%-50% in the medium term.	A reduction to 41% as a result of increases in property valuations.
Our policy is to distribute at least 90% of the Operating Profit from our wholly owned assets.	An increase of £3.2m represented 7.3%. This highlights the benefits of the cost savings achieved from restructuring The Mall.
Footfall performance provides an indication of the relevance and attractiveness of our centres, influencing occupier demand and future letting performance.	Footfall at the Group's UK Shopping Centres outperformed the national ShopperTrak index by 1.3% during 2015.
Occupancy has a direct impact on the profitability of our schemes and also influences footfall and occupier demand.	Our already strong occupancy measure further improved from 96.1% to 97.1%.

Read more on our **Strategy** on page **14**

Read more on our **EPRA** performance measures on page **128**

Read more on our **Occupancy** on page **26**

Exciting and appealing **leisure mix**

Leisure continues to present a sustainable source of rental growth representing over 40% of new lettings in 2015 including the creation or extension of gyms in Blackburn, Ipswich, Luton, Maidstone and Wood Green

Capital&
Regional

People

Damian Macpherson

Project Co-ordinator

Damian is an experienced Project Co-ordinator delivering Capex projects across the business. He has a strong sense of purpose, applying his discerning design and spacial insights to our mall environments. Damian directs and energises the external consultants, building great teams, all focused on delivering projects on time and on budget. Damian has particularly enjoyed delivering refurbishments in Walthamstow and Maidstone where he's made a real difference to the shopping environments for our customers to enjoy.

Operating Review

72
new lettings

£5.4m
of rent from new lettings

The Group is now fully focused on executing its £65 million asset management plan for its wholly owned portfolio, as well as investment in its joint ventures in Redditch and Ipswich.

The Group's key operating metrics are set out below:

UK Shopping Centres

Rental income

UK Shopping Centres (Like-for-like)	**December 2015 £m**	June 2015 £m	December 2014 £m
Contracted rent	**69.7**	68.2	67.8
Passing rent	**66.4**	65.7	64.5

Passing rent increased by 2.9% on a like-for-like basis during the year, driven by a strong letting performance and increased occupancy across the portfolio. The increase in contracted rent also reflects agreements for leases, such as those with Travelodge, Aldi and easyGym at Wood Green, totalling £1.6 million, where works need to be undertaken to create the units for these tenants before the income will commence.

New lettings, renewals and rent reviews

UK Shopping Centres	
Number of new lettings	72
Rent from new lettings (£m)	5.4
Comparison to ERV (%).[1],	36.4
Renewals settled	52
Revised rent (£m)	2.4
Comparison to ERV.[1] (%)	(1.6)
Rent reviews settled	31
Revised passing rent (£m)	3.6
Uplift to previous rent (£m)	0.2
Comparison to ERV (%)	9.9

1. For lettings and renewals with a term of five years or longer which did not include a turnover rent element (excludes Ipswich).

There has been encouraging leasing activity across the UK Shopping Centre business, with £5.4 million of annualised rental income achieved through new lettings and a further £2.4 million of income secured through lease renewals during the year.

On a weighted average basis the ERV determined by the valuers for leases over five years or longer without any turnover element assumed that a rent free period of 11.5 months was granted on renewal. This implies the valuers are assuming a net effective rent on a new five year lease of 80.8% of ERV. The net effective rent achieved, assuming that all renewals in 2015 were for a five year term, would be 11.5% higher at 92.3% of ERV, indicating that renewals are effectively being achieved above the valuers' assumptions.

A major driver of new lettings has been our ability to convert non-core space into leisure uses as demonstrated by the new Travelodge at Wood Green which, following the planning consent received since the year end, will now comprise 78 rooms rather than the original 35. Other examples include the extension to the gym at Wood Green, a new basement gym in Maidstone and another in the former social club in Luton, which had been vacant for a number of years.

These types of lettings have the added advantage of lease terms significantly longer than can be achieved from retail uses and consequently increase income security and investment value.

Leisure accounted for £2.2 million of the £5.4 million of new lettings across the business and efforts were led primarily by the deals at Wood Green and Ipswich. The total leisure offering across the UK Shopping Centre portfolio, on a like-for-like basis excluding Ipswich, now stands at 8.3% (2014: 6.5%) of total space based on ERV. The increasing leisure occupation contributes strongly to the ability of a scheme to attract customers and increase their dwell time.

In addition to the progress made in developing the leisure offer in our schemes, momentum in concluding retail lettings has continued.

Following the completion of the refurbishment of our shopping centre in Walthamstow, it now has added vibrancy which has contributed to The Fragrance Shop, Game and Costa all opening new stores.

The refurbishment in Maidstone is currently underway and will provide impetus to lettings when it is completed in the second quarter of 2016. In 2015, lettings were completed with Pep & Co for a 7,500 sq ft unit and WH Smith which took a 1,900 sq ft unit.

Two lettings for 16,000 sq ft of offices were also completed during the year, and a further 8,000 sq ft of office space is under offer. Post year end we have exchanged with TJ Hughes on a new 33,000 sq ft department store which we expect to deliver an income return of over 10% on the planned Capex spend of £2.9 million.

In Luton, notable lettings to Ed's Diner and Trespass were completed on units of 5,600 sq ft and 2,800 sq ft respectively whilst, in Camberley, Smiggle has opened its first store in our portfolio taking a 1,000 sq ft unit. Also in Camberley at the end of 2015 we acquired, for £3.3 million, 6-10 Princess Way, one of the adjoining properties to our existing scheme. The property is occupied by Wilko and Pampurred Pets and the price represented an initial yield of 7.15%. The transaction delivered immediate marriage value but more importantly provides us with greater flexibility for our redevelopment plans for that area of the scheme. In Blackburn, building work has continued on the redevelopment of Ainsworth Mall, where Pure Gym will open a 15,000 sq ft unit while on the retail side Cardzone and The Entertainer have signed leases for 700 sq ft and 4,300 sq ft respectively.

At Wood Green, in addition to the leisure lettings referred to earlier, Deichmann completed a ten year lease on a 6,500 sq ft unit.

In Redditch, H&M's upsized 23,500 sq ft store launched in November 2015, providing additional anchoring to the centre and generating greater activity in Walford Walk. On the leisure side, Prezzo signed a 25 year lease for the remaining 3,500 sq ft restaurant unit in Kingfisher Square, while Burger King and Ed's Diner opened new units on 15 year terms.

Capital expenditure and developments

Our £65 million Capex plan for the wholly owned portfolio is now well underway with £14.9 million spent to date. In 2015 this was primarily focused on:

— The £3.2 million Ainsworth Mall redevelopment in Blackburn with the new gym to be handed over in the second quarter of 2016;

— The £4.0 million refurbishment of the Mall at Maidstone which is scheduled to complete in June 2016 and which will transform the scheme by adding vibrancy and making it more attractive to both retailers and customers; and

— Completion of the £3.0 million Walthamstow refurbishment and £4.5 million delivery of new units to Sports Direct and TK Maxx.

Since the year end, Barratt London has been selected as preferred development partner for the extension of the Walthamstow scheme to deliver 92,000 sq ft of new retail space and over 400 residential units. An agreement has also been reached with the London Borough of Waltham Forest within which the headlease will be extended from 71 years to 250 years. Public consultation is set to take place in early April 2016 and a detailed planning application is being compiled for submission later this year. In the proposal, the developer will build the residential space, leaving Capital & Regional with the retail extension for which the net capital expenditure is expected to be around £20 million.

Operating Review

Continued

Occupancy levels

Occupancy (like-for-like)[1]	**30 December 2015** %	30 June 2015 %	30 December 2014 %
UK Shopping Centres	**97.1**	96.4	96.1

1. Occupancy at December 2015 and December 2014 includes a seasonal increase in temporary lettings.

Like-for-like occupancy at 30 December 2015 was up 1.0% at 97.1% (December 2014: 96.1%), reflecting the level of letting and renewal activity achieved in 2015.

Administrations and Insolvency

There were 12 units affected by administration during the year (2014: 20) with passing rent of £0.8 million (2014: £1.2 million).

UK Shopping Centres	**Year ended 30 December 2015 £m**	6 months ended 30 December 2015 £m	6 months ended 30 June 2015 £m
Administrations (units)	**12**	2	10
Passing rent (£m)	**0.8**	0.1	0.7

At 30 December 2015, none of the 12 units affected by tenants in administration continued to trade.

In the first two months of 2016 there have been ten units affected by administration, of which seven continue to trade. Nine of the insolvent units related to A J Levy Group, which operates as Blue Inc and Officers Club, and the impacted units had a passing rent of £0.5 million. Two of these units have closed but are expected to be re-let quickly so that the overall impact is not expected to be material.

Temporary lettings

The Group uses temporary lettings to maximise the vibrancy of its schemes and to minimise the costs of holding vacant units. At 30 December 2015, on a like-for-like basis, there were 137 temporary lettings (2014: 116) for a net rent of £0.8 million (2014: £0.4 million) as compared to an ERV of £5.7 million (2014: £5.3 million). With increased levels of occupancy, the Group will look to convert these lettings to permanent terms with market rents.

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 potential retailer restructurings through contingency planning and by actively seeking to reduce exposure to known risks. In the case of BHS we have been working on alternative asset management plans for their units in our schemes since the change of ownership in early 2015. In total there are three BHS stores in our wholly owned portfolio with rent of £1.3 million and a further unit in Redditch.

The ten largest retail occupiers by rental income at 30 December 2015 were:

UK Shopping Centres	%
Alliance Boots	4.9
Debenhams	4.4
Superdrug/ Savers	3.2
Primark	2.8
BHS	2.8
TK Maxx	2.4
New Look	2.4
H&M	2.2
Wilkinsons	2.1
Sports Direct	1.9

Rent collection rates in the UK Shopping Centres (adjusted for tenants in administration) have continued to be strong throughout the year, with 98.7% of rent being paid within 14 days of the due date for December 2015.

Footfall

Footfall at the Group's UK shopping centres outperformed the national footfall index by 1.3% during 2015 (0.4% fall versus national ShopperTrak index decline of 1.7%).

Investment portfolio performance

The property level total returns for centres owned throughout 2015, which excludes Ipswich, are set out below:

30 Dec 2015	Property valuation[1] £m	Capital return %	Total return %	Initial yield %	Equivalent yield %
UK Shopping Centres[2]	987	8.3	15.2	5.95	6.15

1. Property at valuation, excludes Ipswich.
2. Weighted average by year end property valuation.

Acquisitions

Buttermarket Centre, Ipswich

The Buttermarket Centre in Ipswich was acquired in March 2015 in a 50:50 joint venture with Drum Property Group for £9.2 million, equivalent to a Net Initial Yield of 8.5%, and follows on from our successful investment in Lincoln. In the case of Ipswich, we are reconfiguring and modernising the centre to create a new retail and leisure complex in this regional centre, for which we believe there is significant demand. The retail space has been consolidated onto the ground floor of the scheme and is anchored by TK Maxx and New Look, while Empire Cinemas has taken a pre-let of a 12 screen cinema on the upper floors, as part of a mixed leisure element incorporating nine restaurant units and a gym which has been pre-let to Pure Gym. Prezzo signed a lease on one of the restaurant units prior to the year end and, since the start of 2016, deals have been agreed with Wagamama, Byron Burgers and Coast to Coast, bringing the level of pre-letting to 84%. Completion of the building works is expected early in the third quarter of 2016.

The Marlowes, Hemel Hempstead

On 5 February 2016 the Group completed the 100% acquisition of The Marlowes Shopping Centre for £35.5 million with the vendor of this property agreeing to fund the replacement of the whole of the glazed atrium roof as part of the transaction. The price represents an initial yield of 7.0%. The Group has subsequently further increased its interest in the town centre with the combined £18.3 million acquisitions of the adjacent Edmonds Parade and Fareham House properties. Together this provides the Group with significant control of the retail heart of a strong south east town which affords the opportunity to be fundamentally repositioned as a shopping destination, following on from a recent significant investment from the local authority which has already benefitted the town.

The total cost of the three properties was £53.8 million representing a yield of 7% on the retail space. The acquisitions have been funded using existing cash and a non-recourse loan facility of £26.9 million. The loan facility runs for five years with two one year extensions available at the end of each of the first two years. The rate of interest payable on the loan facility following hedging is expected to be around 3.3%.

Other operations

Snozone

Snozone enjoyed another good year of growth with revenues up 4% to £10.3 million (2014: £9.9 million) and profit growing by 17% to £1.4 million (2014: £1.2 million). Snozone's commitment to delivering an excellent customer experience and extending the product offer has been core to increasing Snozone's market share and to developing the business.

Financial Review

	2015	2014
Investment returns		
Total shareholder return	**29.8%**	24.7%
Net assets per share	**72p**	60p
EPRA net assets per share	**71p**	59p
Return on equity	**23.5%**	28.1%
Profitability		
Operating Profit[1]	**£24.0m**	£19.3m
Profit for the period	**£100.0m**	£75.2m
Basic earnings per share – continuing and discontinued operations	**14.3p**	14.7p
Financing		
Group net debt[2]	**£338.1m**	£336.6m
See-through net debt[2]	**£355.7m**	£352.1m
See-through net debt to property value[2,3]	**41%**	45%
Property portfolio at valuation (100%)	**£1,015.0m**	£895.7m
Property portfolio at valuation (C&R share)	**£869.6m**	£774.9m

1. Operating Profit used throughout this Financial Review is as defined in the Glossary and Note 1 to the Financial Statements.
2. 30 December 2014 is proforma adjusted for £42.1 million of German joint venture net proceeds received in February 2015 and £8.9 million of payments due in respect of Mall performance fees and Mall income due to former unit holders.
3. See-through net debt divided by property valuation.

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 as set out below. Following completion of the sale of Germany in February 2015, the Group's business is now almost entirely based on UK shopping centres.

	See-through at 30 December 2015			**Statutory 30 December 2015**	See-through at 30 December 2014			Statutory 30 December 2014
	Property[1] £m	**Debt £m**	**Other £m**	**£m**	Property[1] £m	Debt £m	Other £m	£m
The Mall	**870.0**	**(380.0)**	**(37.8)**	**452.2**	790.8	(380.0)	(33.6)	377.2
Kingfisher Redditch	**32.1**	**(16.8)**	**0.6**	**15.9**	29.8	(16.9)	0.7	13.6
Buttermarket Ipswich	**13.6**	**(2.2)**	**0.3**	**11.7**	–	–	–	–
Germany[2]	**–**	**–**	**0.1**	**0.1**	–	–	41.4	41.4
Other net assets	**–**	**–**	**23.3**	**23.3**	–	(23.4)	10.2	(13.2)
Net assets	**915.7**	**(399.0)**	**(13.5)**	**503.2**	820.6	(420.3)	18.7	419.0

1. IFRS Property value.
2. Held for sale at 30 December 2014.

Profitability
Group Operating Profit

Amounts in £m		Year to 30 December 2015		Year to 30 December 2014
The Mall		**24.3**		14.6[1]
Other UK Shopping Centres		**1.2**		0.3
Snozone		**1.4**		1.2
Group/Central				
— External fee income[2]	**2.3**		4.3	
— Internal fee income/recharges[2]	**4.9**		3.9	
— Administration expenses	**(9.3)**		(9.6)	
— Net interest expense	**(0.8)**		(1.1)	
		(2.9)		(2.5)
Discontinued Operations (Germany)		**–**		5.7
Operating Profit		**24.0**		19.3

1. Mall Operating Profit for 2014 represents C&R share based on the different actual ownership levels throughout the year.
2. Mall fee income for 2014 shown as internal to reflect ownership on the same basis as 2015.

The increase in Group Operating Profit reflects the 100% ownership of The Mall during 2015 and the improvement in underlying Mall profitability, as illustrated in the table below showing the 2014 comparative on a like-for-like basis. This highlights the benefit of the cost savings achieved from restructuring the fund, which continue to run ahead of the minimum of £1.5 million per annum originally anticipated. As the split of the first and second half of 2015 shows, there has been positive momentum in both income growth and cost reduction in the second half of 2015. Group Operating Profit has also benefited from a reduction in central administration expenses of £0.3 million.

The Mall Operating Profit (like-for-like — 100% for both years)

Amounts in £m		H1 2015		H2 2015		2015		2014	
Rental income			23.7		24.0		**47.7**		48.5
Car park income			3.4		4.0		**7.4**		6.6
Ancillary income			1.2		1.2		**2.4**		2.4
Gross rental income			28.3		29.2		**57.5**		57.5
Service charge and void costs			(2.0)		(1.6)		**(3.6)**		(3.1)
Bad debt			(0.3)		(0.2)		**(0.5)**		(0.7)
External Operator/Fund Manager fees			–		(0.1)		**(0.1)**		(1.7)
Other property expenses	Car park costs	(1.6)		(1.5)		**(3.1)**		(3.2)	
	Head leases[1]	(1.5)		(1.6)		**(3.1)**		(3.0)	
	IFRS head lease adjustment[3]	1.8		1.8		**3.6**		3.6	
	Letting and rent review fees	(0.7)		(0.5)		**(1.2)**		(1.6)	
	Administration expenses	(0.4)		(0.3)		**(0.7)**		(1.8)	
	Repairs and maintenance	–		(0.2)		**(0.2)**		(0.4)	
	Other costs	(0.7)		(0.8)		**(1.5)**		(1.7)	
			(3.1)		(3.1)		**(6.2)**		(8.1)
Net rental income			22.9		24.2		**47.1**		43.9
Net interest expense	Net interest on loans[2]	(6.5)		(6.5)		**(13.0)**		(13.1)	
	Amortisation of refinancing costs	(0.6)		(0.7)		**(1.3)**		(1.9)	
	Notional interest charge on head leases[3]	(1.8)		(1.8)		**(3.6)**		(3.6)	
			(8.9)		(9.0)		**(17.9)**		(18.6)
Mall Operating Profit before internal recharges			14.0		15.2		**29.2**		25.3
Internal Management fees/Group cost allocation							**(4.9)**		(3.9)
Mall Operating Profit							**24.3**		21.4

1. 2014 adjusted to remove one-off impact of £0.3 million credit in respect of Luton.
2. 2014 interest adjusted to reflect a full year charge on the basis of the year end debt and interest position.
3. Notional interest charge with offsetting opposite and materially equal credit within other property operating expenses above.

Financial Review

Continued

Profit for the period

Amounts in £m	Year to 30 December 2015	Year to 30 December 2014
Operating Profit	**24.0**	19.3
Property revaluation	**74.8**	42.7
Acquisition of Mall Units/accrued costs for Mall acquisition	**–**	8.1
Financial instruments revaluation	**(0.8)**	0.3
Profit on disposal of Waterside Lincoln	**–**	4.7
Profit on disposal of Germany	**2.4**	–
Share-based payments	**(0.6)**	(0.7)
Other items	**0.2**	(1.7)
Tax credit	**–**	2.5
Profit for the period	**100.0**	75.2

As well as the Operating Profit discussed above, the other key driver of profit for the period was £74.8 million of property valuation gains, primarily within The Mall.

Financing

See-through debt

Group share 30 December 2015	Debt[1] £m	Cash[2] £m	Net debt £m	Loan to Value[3] %	Net debt to value[3] %	Average interest rate %	Fixed %	Duration to loan expiry Years
The Mall	380.0	(18.4)	361.6	46	44	3.47	61	3.4
Group RCF	–	(23.5)	(23.5)	n/a	n/a	3.58	–	3.4
On balance sheet debt	380.0	(41.9)	338.1					
Kingfisher Redditch	16.8	(1.1)	15.7	51	48	4.58	100	3.3
Buttermarket Ipswich	2.2	(0.3)	1.9	16	14	3.51	–	1.0[4]
Off balance sheet debt	19.0	(1.4)	17.6					
See-through debt	399.0	(43.3)	355.7	46%	41%			

1. Excluding unamortised issue costs.
2. Excluding cash beneficially owned by tenants.
3. Debt and net debt divided by investment property at valuation.
4. The Ipswich development facility expires six months after practical completion of the development. The joint venture has an option to convert to an investment facility with maturity on 11 December 2020.

The Mall

The Mall debt facility comprises a fixed rate tranche of £233.3 million with interest fixed at 1.86% plus applicable margin and a floating rate tranche based on three month LIBOR of £146.7 million. The floating rate tranche has been hedged using interest rate caps with a strike rate no higher than 2.75%. Based on the prevailing market rate at the end of 30 December 2015, the overall cost of this facility was 3.47% at that date. The debt matures in May 2019.

Group Revolving Credit Facility (RCF)

In November 2015, the Group completed a new core RCF of £30 million to 30 May 2019. Interest on the facility is charged at a margin of 3.0% per annum above LIBOR. A non-utilisation fee of 1.5% is payable.

Covenants

The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 December 2015. Further details are disclosed in the "covenant information" on page 129.

South African secondary listing

On 7 October 2015 the Group commenced a secondary listing on the Main Board of the Johannesburg Stock Exchange (JSE) in South Africa. This listing provides domestic South African institutional and private investors with an opportunity to invest in the Company, which should help in improving the depth and spread of the Company's shareholder base and which in turn should increase liquidity and enhance potential funding options to pursue future growth and investment opportunities.

At 30 December 2015, 74,329,337 of the Company's shares were held on the JSE register representing just over 10% of the total shares in issue.

German joint venture disposal

On 10 February 2015, the Group completed the sale of its 50:50 German joint venture to clients and funds under the management of Rockspring Property Investment Managers. Under the terms of the transaction, the Group will retain for approximately five years a 5.1% minority stake in each of the five German portfolios sold. The total net proceeds received were €54.8 million. This equated to £42.3 million (after all costs and including the benefit of the Group's Forward Contract which hedged €50 million at €1.2721/£) and resulted in an uplift to the 2014 year-end NAV of £0.8 million. The total profit on disposal was £2.4 million, reflecting this £0.8 million and £1.6 million of realised foreign currency gain reclassified from reserves.

On completion, and included within the proceeds, the Group entered into a long term loan of €3.5 million, repayable after five years. After completion, a distribution of €1.5 million was made in respect of the retained minority stakes and this was used to reduce the outstanding amount of the loan owing to €2.0 million. Further distributions were received in the remainder of 2015 of €0.2 million, which were not offset against the loan. The carrying value of the retained minority stake, accounted for as a fixed asset investment, was €2.2 million (£1.6 million) at 30 December 2015. The carrying value of the loan payable was a liability of €2.0 million (£1.5 million) at the same date.

REIT conversion

The Company converted to a Real Estate Investment Trust (REIT) from the start of the 2015 financial year. The REIT regime enables the Group to benefit from a zero corporation tax rate on qualifying property income and capital gains.

Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to achieve and retain Group REIT status, several entrance tests had to be met and certain ongoing criteria must be maintained. The main criteria are as follows:

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

Dividend

In keeping with its policy of distributing at least 90% of Mall Operating Profit, the Board is proposing a final dividend of 1.62p per share, taking the full year dividend to 3.12p per share.

The Board targets delivering year-on-year dividend growth in the range of 5% to 8% per annum in the medium term. This would result in a dividend of at least 3.28p per share for the full year 2016.

Charles Staveley
Group Finance Director

Managing Risk

Risk management process

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

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

In addition during 2015, the Group, using the risk matrix agreed at the June 2015 review, performed an assessment of the material financial, operational and compliance controls that mitigate the key risks. Each control was then assessed or tested for evidence of its effectiveness. The review concluded that all such material controls were operating effectively.

Principal risks at 30 December 2015

Following the risk reviews carried out at 30 June 2015 and 30 December 2015 the following principal Group risks were added to the list disclosed in the 2014 Annual Report:

- **Competition Risk** – the threat to the Group's property assets of competing in town and out of town retail and leisure schemes.
- **Development Risk** – the risk of capital expenditure and development projects failing to deliver the expected results.
- **Historic Transaction Risk** – the risk of issues or liabilities emerging from historic transactions most likely through warranties or indemnities provided in asset or business disposals.
- **Acquisition/Disposal Strategy Risk** – the risk that acquisitions do not deliver the returns forecast and/or that the portfolio is not effectively managed throughout the property cycle.

One risk was removed, being that of Valuation Risk, defined as the risk of an absence of relevant transactional evidence creating uncertainty. This was no longer considered a principal Group risk following the completion of the sale of the Group's German investment and the exclusive property focus on UK Shopping Centres.

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

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

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

Risk	Impact	Mitigation	Trend since last year
Property risks			
Property investment market risks			
— Weakening economic conditions and poor sentiment in commercial real estate markets could lead to low investor demand and an adverse movement in valuation	— Small changes in property market yields can have a significant effect on valuation — Impact of leverage could magnify the effect on the Group's net assets	— Monitoring of indicators of market direction and forward planning of investment decisions — Review of debt levels and consideration of strategies to reduce if relevant	↑
Impact of the economic environment			
— Tenant insolvency or distress — Prolonged downturn in tenant demand and pressure on rent levels	— Tenant failures and reduced tenant demand could adversely affect rental income, lease incentive, void costs, cash and ultimately property valuation	— Large, diversified tenant base — Review of tenant covenants before new leases signed — Long-term leases and active credit control process — Good relationships with, and active management of, tenants — Void management though temporary lettings and other mitigation strategies	↑
Threat from the internet			
— The trend towards online shopping may adversely impact consumer footfall in shopping centres	— A change in consumer shopping habits towards online purchasing and delivery may reduce footfall and therefore potentially reduce tenant demand and the levels of rents which can be achieved	— Strong location and dominance of shopping centres (predominantly London and South East England) — Strength of the community shopping experience — Increasing provision of "Click & Collect" within our centres — Digital marketing initiatives — Monitoring of footfall for evidence of negative trends — Monitoring of retail trends and shopping behaviour	—

Key to Risk

↑ Increase in risk — Risk remains the same ↓ Decrease in risk

Managing Risk
Continued

Risk	Impact	Mitigation	Trend since last year
Concentration and scale risk			
— By having a less diversified portfolio the business is more exposed to specific tenants or types of tenant — Smaller size of the business may reduce purchasing power	— Tenant failures could have a greater impact on rental income — Reduced purchasing power could impact the ability to drive economies of scale and the feasibility of certain investment decisions regarding the operating platform	— Regular monitoring of retail environment and performance of key tenants — Maintaining flexibility in operating platform — Further diversification considered through acquisitions or joint ventures	—
Competition risk			
— The threat to the Group's property assets of competing in town and out of town retail and leisure schemes	— Competing schemes may reduce footfall and reduce tenant demand for space and the levels of rents which can be achieved	— Monitoring of new planning proposals — Close relationships with local councils and willingness to support town centres — Ensure the Group's schemes are high quality — Investment in traditional and digital marketing	New
Development risk			
— Delays or other issues may occur to capital expenditure and development projects	— May lead to increased cost and reputational damage — Planned value may not be realised	— Approval process for new developments — Use of experienced project co-ordinators and external consultants with regular monitoring and Executive Committee oversight	New

Funding and treasury risks

Risk	Impact	Mitigation	Trend since last year
Liquidity and funding			
— Inability to fund the business or to refinance existing debt on economic terms when needed	— Inability to meet financial obligations when due — Limitation on financial and operational flexibility — Cost of financing could be prohibitive	— Debt refinancing at the Group level in 2015 and The Mall and Redditch in 2014 improved liquidity and long-term security — Ensuring that there are significant undrawn facilities — Efficient treasury management and forecasting with regular reporting to the Board — Option of asset sales if necessary	—

Risk	Impact	Mitigation	Trend since last year
Covenant compliance risks			
— Breach of any loan covenants causing default on debt and possible accelerated maturity	— Unremedied breaches can trigger demand for immediate repayment of loan	— Regular monitoring and projections of liquidity, gearing and covenant compliance — Review of future cash flows and predicted valuations to ensure sufficient headroom	↓
Interest rate exposure risks			
— Exposure to rising or falling interest rates	— If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken — Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences	— Regular monitoring of the performance of derivative contracts and corrective action taken where necessary — Use of alternative hedges such as caps	—

Other risks

Risk	Impact	Mitigation	Trend since last year
Execution of business plan			
— Failure to execute business plan in line with internal and external expectations	— Potential loss of income or value resulting in lower cash flow and property valuation — Reputational damage negatively impacting investor market perception	— Management of projects and the individual shopping centres by experienced and skilled professionals — Strong relationships with retailers and relevant contractors/suppliers — Ongoing monitoring of performance against plan and key milestones by Directors and senior management	—
Property acquisition/disposal strategy			
— Exposure to risks around overpayment for acquisitions — Portfolio not effectively managed through the investment cycle, with sales and de-leveraging at the appropriate time	— Overpayment may result in acquisitions not delivering forecast returns — The Group may not be able to take advantage of other investment opportunities as they arise — Covenants may move adversely when the cycle changes	— Regular monitoring of the property market and the use of professional advisers — Bank finance scrutiny — Impact of cycle reflected in business planning	New

Key to Risk

↑ Increase in risk — Risk remains the same ↓ Decrease in risk

Managing Risk

Continued

Risk	Impact	Mitigation	Trend since last year
Tax risks			
— Exposure to non-compliance with the REIT regime and changes in tax legislation or the interpretation of tax legislation — Potential exposure to tax liabilities in respect of transactions undertaken where the tax authorities disagree with the tax treatment adopted	— Tax related liabilities and other losses could arise	— Monitoring of REIT compliance — Expert advice taken on tax positions and other regulations — Maintenance of a regular dialogue with the tax authorities	—
Regulation risks			
— Exposure to changes in existing or forthcoming property related or corporate regulation	— Failure to comply could result in financial penalties, loss of business or credibility	— Management undertake training to keep aware of regulatory changes — Expert advice taken on complex regulatory matters	—
Loss of key management			
— Dependence of the Group's business on the skills of a small number of key individuals	— Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce the effectiveness with which the Group conducts its business	— Key management are paid market salaries and offered competitive incentive packages to ensure their retention — New LTIP awards made in 2015 — Succession planning for key positions is undertaken — Performance evaluation, training and development programmes are in place to maintain and enhance the quality of staff	—
Historic transactions			
— Historic sales have included vendor warranties and indemnities and as such, the Group has potential exposure to future claims from the purchaser	— Warranty and indemnity related liabilities and other losses could arise	— Use of professional advisers to achieve properly negotiated agreements in terms of scope, extent of financial liability and timeframe — Monitoring of ongoing exposure	New

Key to Risk

↑ Increase in risk — Risk remains the same ↓ Decrease in risk

Viability Statement

In accordance with the 2014 revision of the Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a three year period to December 2018. This was selected for the following reasons:

- the Group's annual budget and business planning process covers a three-year period;
- it tracks the period of time to the end of 2018 over which the remainder of the Group's multi-year £65 million capital expenditure investment in The Mall portfolio is planned to be undertaken; and
- all of the Group's debt financing is secured and fully available for the duration of the period.

The three-year budget and business plan review considers the Group's cash flows, dividend cover and other key financial ratios over the period. It includes sensitivity analysis to consider severe but plausible scenarios that could be caused by the principal risks and uncertainties outlined on pages 32 to 36. This incorporated the impact on covenant compliance of a significant fall in property valuations or property income. The three-year review also makes certain assumptions about funding acquisitions or additional capital expenditure initiatives through capital recycling or raising funding through other means. Alternative scenarios are modelled to ensure that the plan is not solely reliant on specific options or events.

Based on the results of this analysis, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2018.

Going Concern

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

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

The Group's risks and risk management processes are set out on pages 33 to 36.

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

Investing in our **talent**

The hard work and enthusiasm of our employees is critical to achieving our objectives. We maintain a commitment to professional development through new learning initiatives and aspire that every person working at C&R should feel proud about the contribution they make

Capital&
Regional

People

John Cook

Revenue Manager

John manages the Revenue and Purchase Ledger teams, responsible for credit management and the collection of rent at our shopping centres, in addition to payment of our many suppliers. He specialises in assessing covenant strength and creditworthiness of retailers, and handling insolvency events that may impact on our business. It's a role that he enjoys immensely, as it gives him opportunities to make a difference to our investors, customers and service providers.

Responsible Business

Our commitment to running our business responsibly is important to C&R; it underpins the way we operate and is an integral part of who we are and what we do.

Our aim is to be socially responsible so that C&R is not only a great place to work but it has a positive impact on our customers, retailers and the wider community while minimising our environmental impact.

Our Responsible Business strategy is supported by explicit targets and remains focused on four key areas:

The Marketplace

Our continuing commitment to behave ethically and contribute to economic development while improving the quality of our customers, shopping and leisure experience is at the very heart of how our business operates.

Highlights from 2015

- Retained the ROSPA Gold Award for 9th consecutive year
- Achieved an average score of 96.7% in C&R Safe Audits
- Completed 100% of all Joint Unit Inspections to ensure our retailers operate their units in a safe manner
- Our integrated Soft Service contract achieved an average Brand Standard Performance Management score of 96.4%

Priorities for 2016

- Retain ROSPA Gold Award
- Introduce a new Compliance and Facilities Management Audit
- Introduce a new food and beverage retail inspection to be conducted quarterly
- Achieve 100% compliance on maintenance and property condition audits based on PAS and BSRIA guidelines

Case Study

Takeover Day

One of our primary aims is to engage effectively with the local community, which is why we were very pleased to support BCSC's Retail Matters initiative.

During Retail Matters Week in February we ran 'Takeover Day' across our centres, during which over 150 school children aged 10 and 11 were invited behind the scenes to experience life as part of our operational teams. Takeover Day is part of a national initiative run by the Children's Commissioner.

We asked our junior visitors to Camberley how the centre may look in 2025. Alongside the predictions of rollercoasters in the roof and wild animal pet shops, there were some very insightful responses, including a more diverse leisure offer in the form of skate parks and museums, to virtual reality shopping allowing you to browse the centre from home. A reminder to us all that shopping centres must continue to evolve as we seek to engage the consumers of tomorrow.

The Environment

C&R is committed to operating the business in a manner that accounts for the environmental impact created by our day-to-day operations. Our aim is to increase our team's awareness of environmental issues together with our customers and the community we serve in order to reduce energy usage, carbon emissions, and waste and water consumption. Minimising the environmental impact is at the forefront when planning a major refurbishment at one of our shopping centres.

Highlights from 2015

- Retained Global Real Estate Benchmark (GRESB) Green Star Status and recognised as a sector leader
- Retained the Carbon Trust Standard for 7th consecutive year
- Achieved 2nd rank position (4th in 2014) out of 14 in the Real Estate Environmental Benchmark (REEB), with a survey base of over 100 shopping centres
- Achieved 5% reduction on energy usage
- Enviromall campaign focused on encouraging customers to reduce waste with a free reusable, Mall-branded water bottle

Priorities for 2016

- Reduce CO_2 by 5%
- Develop and implement a framework for sustainable development and refurbishment works
- Play a leading role in the British Council of Shopping Centres Low Carbon Working Group
- Implement a marketing campaign to showcase C&R's commitment to reduce its environmental impact and encourage green behaviour from our customers

5%
Reduction on energy usage

CARBON TRUST STANDARD
REDUCING CO2 YEAR ON YEAR

GRESB
Green Star 2015

Report on Greenhouse Gas Emissions

We have followed the Greenhouse Gas Protocol for reporting CO_2 emissions for the 2015 calendar year. The reporting boundary has been defined using the operational control approach, reporting emissions for operations in which Capital and Regional have control. It does not account for GHG emissions from operations in which it owns an interest but has no operational control. Scope 1 emissions accounts for total gas consumption of Capital and Regional. Emissions from emergency equipment (e.g. standby generators) have been deemed deminimis and therefore are not included in the reported figures. Actual data has been used for reporting wherever possible, however some estimated data has been used where data has not been available.

The data presented below has been independently verified by Hurley Palmer Flatt who are satisfied, based on the information provided, that the reported figures are representative of performance.

Scope 1 & 2 Mandatory Reporting*	2015	2014**
Emissions		
Scope 1 tCO_2e	**1,580**	1,751
Scope 2 tCO_2e	**11,720**	13,063
Intensity		
Scope 1 and 2 $kgCO_2e$/sq ft	**3.01**	3.35

* Scope 1: Direct GHG emissions from controlled operations (natural gas consumption)
Scope 2: Indirect GHG emissions from the use of purchased electricity, heat or steam (electricity consumption).

** 2014 figures have been restated where material changes were subsequently identified.

Responsible Business

Continued

Capital & Regional People

Will Blake

Retail Asset Manager

Will is responsible for driving leasing and asset management performance at our Blackburn and Camberley malls. He has a strong retail and leisure property background and uses it to develop the leasing vision for the scheme. Will greatly enjoys the wide-ranging challenges of the role, whether it's letting to a single kiosk operator, a new restaurant, or a major fashion anchor.

Louise Moody

Property Manager

Louise is responsible for providing a first class property management service, helping establish C&R as one of the most well respected service charge providers in the industry. She regularly meets with retailers to provide portfolio updates on our service charge programmes, and in doing so builds trust and long term relationships with our retailer partners.

The Workplace

Achieving our responsible business objectives would not be possible without the commitment and enthusiasm of our employees. The business continues its commitment to achieving high standards and the professional development of its staff through new learning initiatives. We aspire that every person working at C&R should feel proud about the contribution they make, be able to work well together and have confidence in each other's skills and expertise.

Highlights from 2015

- The Mall Camberley shortlisted for the BCSC ACE Awards
- Appointed three engineering apprentices through our Mall Maintain programme
- Completed successful pilot of iPerform learning programme
- Participated in M Power management and leadership development programme

Priorities for 2016

- Roll-out of iPerform training and development programme to all employees to assist in building skills that will benefit them in all spheres of life, not just work
- To achieve the WorldHost Recognition Scheme
- All centres to enter the BCSC Achievement in Customer Excellence Awards (ACE) and achieve an average rating of at least 70%
- To introduce the nationally recognised Leisure Watch Scheme across all shopping centres

See the **Directors' Report** on page **71** for disclosure on gender diversity

The Community

C&R aims to conduct all its business relationships with integrity and courtesy and actively contribute to the wellbeing of the communities we serve. Our aim is to deal honestly with our customers and community partners, securing their loyalty and trust through our ongoing support.

Highlights from 2015

- Through Mall Cares we raised over £270k for our local charities, +8% on 2014
- Snozone continued to support Sense as their National Charity who support and campaign for individuals who are deaf, blind or have sensory impairments.
- Each of our centres are now Collect+ hubs and during 2015 we handled over 20,000 parcels
- All centre teams are trained in the use of defibrillators to assist first responders and paramedics
- Became a member of the well renowned Business Disability Forum

Priorities for 2016

- To continue to work with our local Mall Cares charities and at least match 2015 fundraising
- For all sites to engage with a local disability group and host at least two visits with the aim of making a positive and identifiable difference to the centre's support of the local disability community
- We will continue to promote our Click & Collect and Collect+ service to ensure our shopping centres are at the heart of multichannel retailing within their local communities
- To continually review the site Security Response Plans and carry out desktop scenario exercises quarterly with the local NaCTSO Officer.

Case Study

Mall Cares

Over the last five years we have raised over £1.3million through our Mall Cares programme. Below are two examples of many of the events which took place in 2015.

— Mandy Smith, a security guard at The Mall, Maidstone raised over £9,300 for the SMA Trust via a trek across Nepal. The SMA (Spinal Muscular Atrophy) Trust is the only UK charity solely dedicated to funding research into SMA. Mandy's fundraising journey started in the New Year with 12 ice cold buckets of water over her head at the strike of midnight and continued throughout 2015. She and her brother have hosted many charity events in the Mall, Maidstone, including a mile-a-pennies, craft fairs and even a Bush Tucker Trial!

— Not only did Mandy and her brother take on a gruelling, high altitude, two week trek across Nepal which included trekking in the dark at 4am, whilst there they also spent time volunteering at a hospital and assisting with a housing project.

— On 1 December 2015 we ran a campaign across all malls to tie in with Giving Tuesday (the global day of giving that follows Black Friday and Cyber Monday). Christmas shoppers were urged to donate to our local chosen charities on justgiving or via text and join the #unselfie crowd. The #unselfie is a picture of your face but with a message in place of it detailing the charity you are supporting and nominating others to do the same. C&R staff including our Directors got involved and shared their #unselfie.

Board of Directors

Executive directors

Hugh Scott-Barrett

Chief Executive, appointed 2008

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

Mark Bourgeois

Executive Director, appointed 2013

Member of Responsible Business Committee

Mark began his career at KPMG; he then qualified as a Chartered Surveyor with Donaldsons, where he became partner in charge of the London Shopping Centre Management team. Mark joined C&R in 1998; he has been responsible for managing the shopping centre business since 2009 and was appointed to the Board in 2013. Mark was appointed as President of the British Council of Shopping Centres (BCSC) in December 2015.

Pictured left to right: Ian Krieger, Tony Hales, Louis Norval, John Clare, Laura Whyte, Mark Bourgeois, Kenneth Ford, Hugh Scott-Barrett, Charles Staveley, Wessel Hamman. Phillip Newton (not pictured)

Kenneth Ford

Executive Director, appointed 1997

Ken Ford has been involved in commercial real estate for over 35 years. He has responsibility for the development of new business initiatives and has oversight of the Group's joint ventures. Ken has a BSc in Land Economics and is a Fellow of the Royal Institution of Chartered Surveyors.

Charles Staveley

Group Finance Director, appointed 2008

Charles joined the Group in 2007 and was appointed Group Finance Director in 2008. He qualified as a Chartered Accountant with Arthur Andersen and previously held senior finance roles with Colt Telecommunications, Novar plc, and Textron Inc. He also has Board responsibility for the Snozone business.

Non-executive directors

John Clare CBE

Chairman, appointed 2010

Chairman of Nomination Committee

John was Group Chief Executive of Dixons Group plc between 1993 and 2007 and a non-executive Director of Hammerson plc between 1999 and 2009. He was also previously the Chairman of JobCentrePlus and Dreams Plc and the Senior Independent Director at Dyson Group.

Tony Hales CBE

Non-executive, appointed 2011

Senior Independent Director, Chairman of Remuneration Committee, member of Nomination and Remuneration Committees

Tony is currently Chairman of the Greenwich Foundation, Senior Independent Director of International Personal Finance plc and chairs NAAFI Pension Fund Trustees. Tony was previously Chief Executive of Allied Domecq plc, a Non-Executive Director of HSBC Bank plc and Chairman of Workspace Group plc

Wessel Hamman

Non-executive, appointed 2015

Wessel is Chief Executive of Clearance Capital Limited, a Real Estate investment management firm which he co-founded in 2008. Wessel also serves as a Non-Executive Director of various listed European real estate companies and funds including Karoo Investment Fund, Sirius Real Estate Limited and European Real Estate Investment Trust Limited. Wessel qualified as a Chartered Accountant at KPMG in South Africa.

Ian Krieger

Non-executive, appointed 2014

Chairman of Audit Committee, member of Nomination and Remuneration Committees

Ian is the Audit Committee Chairman and Senior Independent Director at both Premier Foods plc and Safestore Holdings plc. He is also a Trustee and Chairman of the Finance Committee at Nuffield Trust and Vice-Chairman of Anthony Nolan, where he also chairs the Audit Committee. Ian was previously a senior partner and vice-chairman at Deloitte.

Philip Newton

Non-executive, appointed 2006

Member of Audit, Remuneration, Responsible Business and Nomination Committees

Philip is the former CEO of Merchant Retail Group plc, owners of The Perfume Shop, a 150 store chain that he developed from its beginnings. He is Chairman of Windsor Vehicle Leasing Limited, a vehicle finance and fleet management company and a Trustee and Board member of the British Thoroughbred Breeders Association. Philip was appointed as a director of the Company in 2006 and will step down from the Board at the 2016 AGM.

Louis Norval

Non-executive, appointed 2009

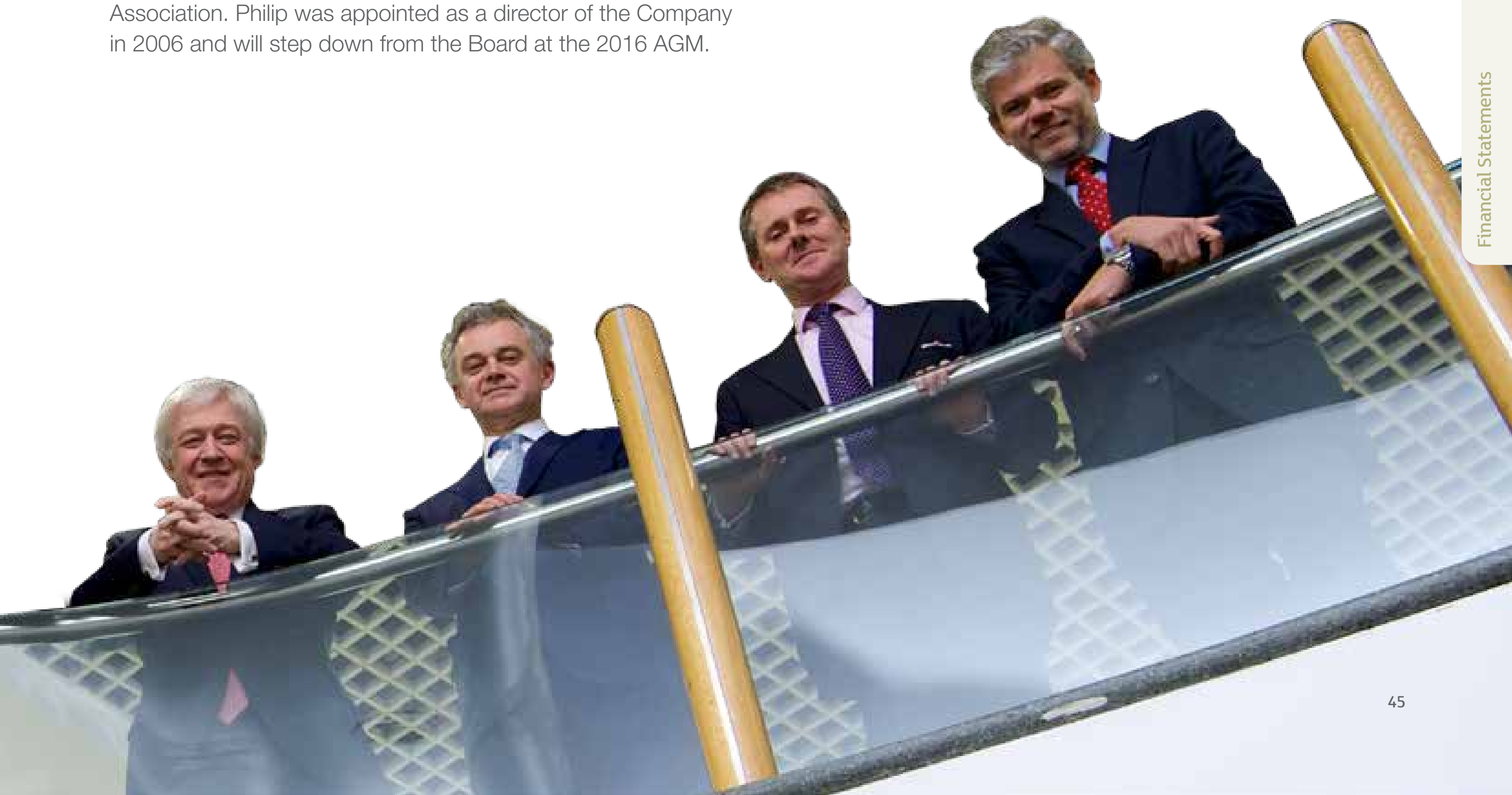
Louis was a co-founder, Executive Chairman and Chief Executive of Attfund Limited (one of the largest private property investment companies in South Africa) until the company was sold to Hyprop Investments Limited (a REIT listed on the Johannesburg Stock Exchange) in 2011. Louis is also Managing Director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

Laura Whyte

Non-executive, appointed 2015

Chairman of Responsible Business Committee, member of Audit, Nomination and Remuneration Committees

Laura Whyte had a long and successful career with John Lewis Partnership where she served on the Management Board for over ten years, firstly as Registrar and latterly as HR Director. Laura is also a Non-Executive Director of the Defence People and Training Board of the Ministry of Defence and of the British Horseracing Authority and British Equestrian Federation and an Executive Trustee of Women in Retail.



Corporate Governance Report
Chairman's Introduction

I am pleased to present Capital & Regional's annual report on corporate governance for 2015.

After the transformational corporate activity of the prior year, the primary focus of C&R in 2015 has been on operational performance and the delivery of the Group's capital investment plan across its portfolio of assets. The focus of the Board's activities in 2015 reflected this with more time spent on site at the Group's shopping centres and interacting with the Group's management through presentations themed around key operational areas.

Through the Audit Committee the Board has assessed Group wide controls, focusing particularly on Capital Expenditure given the significant level of investment that is ongoing. The Remuneration Committee listened to feedback provided around the 2015 AGM and conducted a detailed review of Remuneration Policy which has led to several important changes which are set out on pages 54 to 62.

Responsible Business remains a critical part of our operations and a summary of our activities and continued excellent achievements in this area is provided on pages 40 to 43.

There have also been changes of personnel on the Board with Wessel Hamman and Laura Whyte joining in 2015 following Ian Krieger's appointment in December 2014. Wessel replaced Neno Haasbroek in June 2015 as the second nominated Director of the Parkdev Group of Companies. As previously announced, Philip Newton will step down as a Director at the AGM in May 2016, having served over nine years. In anticipation of Philip's departure we took the opportunity in January 2016 to refresh the Chairmanships of the Board's Committees and confirmed that Tony Hales has taken over from Philip as Senior Independent Director.

I would like to thank Neno and Philip for their hugely valuable contribution to the Company and wish them well with their future endeavours.

In summary, the Board remains committed to high standards of corporate governance which it considers to be central to effective management and to maintaining the confidence of investors. I am confident that our approach, as embedded throughout our business, delivers this and will continue to evolve and improve to keep pace with changes in best practice and regulation.

John Clare CBE
Chairman

Compliance statement

Compliance with the UK Corporate Governance Code

The Company has throughout the year ended 30 December 2015, complied with the provisions of the UK Corporate Governance Code ("the Code") as they apply to smaller (i.e. non-FTSE 350) companies. Further detail is set out below and in the Directors' Remuneration Report.

Compliance with the Disclosure and Transparency Rules

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, except for those required under DTR 7.2.6 which are contained in the Directors' 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, particularly in relation to 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's agenda is managed to ensure that shareholder value and governance issues play a key part in its decision making and there is a schedule of key matters that are not delegated.

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

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 and financial and operating performance.

Board Committees

Audit Committee Meets at least three times per year Further information on pages 51 to 52	Chairman – Ian Krieger (from 25 January 2016) Members – Tony Hales, Philip Newton, Laura Whyte (from 1 December 2015) Tony Hales was Chairman throughout 2015 and until 25 January 2016. John Clare was a member throughout 2015 and until 25 January 2016.
Executive Committee Meets weekly	Chairman – Hugh Scott-Barrett Members – Mark Bourgeois, Ken Ford, Charles Staveley
Nomination Committee Meets at least once a year Further information on page 50	Chairman – John Clare Members – Tony Hales, Ian Krieger (from 25 January 2016), Philip Newton, Laura Whyte (from 25 January 2016)
Remuneration Committee Meets at least twice per year Further information on pages 53 to 68	Chairman – Tony Hales (from 25 January 2016) Members – Ian Krieger, Philip Newton, Laura Whyte (from 1 December 2015) Philip Newton was Chairman throughout 2015 and until 25 January 2016. John Clare was a member until 25 January 2016.
Responsible Business Committee Meets at least twice per year Further information on pages 40 to 43	Chairman – Laura Whyte (from 25 January 2016) Members – Mark Bourgeois, Philip Newton Philip Newton was Chairman throughout 2015 and until 25 January 2016.

Terms of reference for all Committees are reviewed annually and are available on the Company's website.

Board balance and independence

Details of the directors including their qualifications, experience and other commitments are set out before this Corporate Governance Report. The Board currently comprises the Chairman, four executive directors and six non-executive directors. The latter will reduce to five when Philip Newton steps down from the Board at the 2016 AGM having served nine years.

The Board reviews the independence of its non-executive directors on an annual basis.

With the exception of Louis Norval and Wessel Hamman, who are representatives of the Parkdev Group of companies, a significant shareholder of the Company, the Board has concluded that all other non-executive directors continue to demonstrate their independence.
The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office.

Philip Newton continued to serve as the Senior Independent Director throughout the year but handed over this responsibility to Tony Hales on 25 January 2016.

The Company has well established differentiation between the roles of Chairman and Chief Executive. Written terms of reference are available on the Group's website.

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

Information and professional development

The Board schedules five meetings each year as a minimum, and arranges further meetings as the business requires. Prior to Board meetings, each member receives, as appropriate to the agenda, up-to-date financial and commercial information, management accounts, budgets and forecasts, details of potential or proposed acquisitions and disposals, cash flow forecasts and details of funding availability.

Induction training is given to new directors and consists of an introduction to the Board and senior management, visits to our shopping centres, an induction pack and access to independent advisers. Ongoing training requirements are reviewed on a regular basis and undertaken individually, as necessary. Where required, the Company Secretary provides guidance or facilitates the provision of training on Directors' individual duties under the Companies Act 2006 and on legal, regulatory and governance matters with which the Company, Board and individual Directors must comply.

Board and committee meetings

The number of meetings of the Board and its Committees during 2015, and individual attendance by directors, is set out alongside. Ad hoc meetings are typically related to transactional activity and are often called at short notice. As such, full attendance is not always practical.

Board meeting attendance in 2015

	Scheduled	Ad hoc	Total
Number of meetings	5	4	9
J Clare	5 / 5	4 / 4	9 / 9
H Scott-Barrett	5 / 5	4 / 4	9 / 9
M Bourgeois	5 / 5	4 / 4	9 / 9
K Ford	5 / 5	4 / 4	9 / 9
C Staveley	5 / 5	4 / 4	9 / 9
N Haasbroek (resigned 2 June 2015)[1]	2 / 2	1 / 1	3 / 3
T Hales	5 / 5	4 / 4	9 / 9
W Hamman (appointed 2 June 2015)	3 / 3	1 / 1	4 / 4
I Krieger	5 / 5	3 / 4[2]	8 / 9
L Norval[1]	5 / 5	2 / 2	7 / 7
P Newton	5 / 5	4 / 4	9 / 9
L Whyte (appointed 1 December 2015)	n/a / n/a	n/a / n/a	n/a / n/a

Scheduled meetings Meetings attended

1 There were two ad hoc meetings where Neno Haasbroek and Louis Norval were conflicted from attending by virtue of the subject matter relating to their interests in the Company.

2 Ian Krieger was out of the country when an ad hoc meeting was called at short notice for final approval of the Buttermarket Centre, Ipswich acquisition. Ian Krieger was briefed in advance and his views communicated at the Board discussion.

Other committee meeting attendance

	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
Number of meetings	4	4	2	3
J Clare	4	4	2	n/a
I Krieger	4	4	n/a	n/a
P Newton	1	4	2	3
T Hales	4	4	2	n/a
M Bourgeois	n/a	n/a	n/a	2

Scheduled meetings Meetings attended

Charles Staveley attended each of the four Audit Committee meetings by invitation as did other senior members of Finance and representatives from Deloitte LLP, the Company's external auditor.

Board evaluation

A formal process is undertaken for the annual evaluation of the performance of the Board, its Committees and each director. This process is led by the Chairman and each director completes an in-depth questionnaire which covers:

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

The completed questionnaires are collated by the Chairman and considered by the Board, typically at the November 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 without the Chairman in order to appraise his performance on an annual basis. This meeting is chaired by the Senior Independent Director. The Chairman evaluates the performance of the Chief Executive having received input from the other directors. The Chief Executive evaluates the performance of the other Executive directors and the results of the appraisals are analysed and summarised by the Chairman. Subsequently, the results are discussed by the Remuneration Committee and relevant consequential changes are made if required.

Shareholder relations

The Company encourages regular dialogue with its shareholders at the AGM, corporate functions and property visits. The Company also attends roadshows, participates in sector conferences and, following the announcement of final and interim results, and throughout the year, as requested, holds update meetings with institutional investors. All the directors are accessible to all shareholders, and queries received verbally or in writing are addressed as soon as possible.

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

Financial and business reporting

Please refer to:

- page 72 for the Board's statement on the Annual Report and Accounts being fair, balanced and understandable;
- page 37 for the statement on the status of the Company and the Group as a going concern; and
- the Strategic Report on pages 04 to 43 for an explanation of the Company's business model and the strategy for delivering the objectives of the Company.

Risk management and 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.

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 relevant corporate governance guidance. This process has been in place for the year under review to the date of approval of these financial statements.

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

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

Corporate Governance Report

Continued

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.

During the year the Board, through the Audit Committee, reviewed the effectiveness of the material financial, operational and compliance controls that mitigate the key risks (as disclosed in the Managing Risk section). This review concluded that all such material controls were operating effectively.

Nomination Committee

The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both executive and non-executive appointments to the Board. On an annual basis, the Nomination Committee also considers succession planning for the Board.

During the year the Nomination Committee conducted the appointment of Laura Whyte as a new non-executive director, effective from 1 December 2015. The recruitment was conducted internally. The Committee was satisfied that this process provided a pool of candidates of appropriate quality and diversity such that external assistance was not required. Each of the members of the Committee met with Laura prior to the Board approving her appointment. The Committee concluded that Laura's retail, personnel and wider commercial experience would provide a valuable addition to the Board.

Earlier in the year the Nomination Committee also approved the appointment of Wessel Hamman as a non-executive director. Wessel was nominated by the Parkdev Group of companies to be one of their two representatives replacing Neno Haasbroek. The Committee was satisfied that Wessel's significant experience and knowledge of Real Estate and property finance made him an appropriate candidate.

Diversity

The Nomination Committee, and the Board, recognises the importance of diversity, is supportive of the Davies Report recommendations and seeks to ensure that all available suitable candidates are taken into account when drawing up shortlists of candidates for possible appointments. However, the priority of the Committee and the Board is to ensure that the Group continues to have the strongest and most effective Board possible, and therefore all appointments to the Board are made on merit against objective criteria.

John Clare CBE
Chairman

Audit Committee Report

Responsibilities

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

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 by:

a. reviewing the Group's draft annual report and financial statements and its interim results statement prior to discussion and approval by the Board;
b. reviewing the continuing appropriateness of the Group's accounting policies;
c. reviewing Deloitte LLP's plan for the 2015 Group audit and approving their terms of engagement and proposed fees;
d. reviewing reports on internal control matters prepared by management;
e. considering the effectiveness and independence of Deloitte LLP as external auditor and recommending to the Board their re-appointment;
f. reviewing management's biannual Risk Review report and the effectiveness of the material financial, operational and compliance controls that help mitigate the key risks;
g. reviewing the effectiveness of the Group's whistleblowing policy;
h. reviewing and updating the Group's policy for the award of non-audit work to its external auditor;
i. reviewing and recommending for the Board's approval updates to the Group's delegation of authority;
j. considering management's approach to the requirement to include a Viability Statement in the 2015 Annual Report;
k. meeting with the responsible individuals from the Group's independent valuers, Cushman & Wakefield LLP and CBRE Limited, to review and challenge their valuations of the Group's investment properties; and
l. 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 2015, the value of the Group's property assets including its 20% share of the Kingfisher Centre, Redditch and its 50% share of the Buttermarket Centre, Ipswich was £869.6 million (see Note 10b of the financial statements for further details). The valuation of investment property is inherently judgemental and involves a reliance on the work of independent professional qualified valuers. During the year the Audit Committee met with the valuers, considered their independence and qualifications 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.

— *Revenue recognition* – The Committee considered the Group's policies in respect of, and the key judgements made in determining, revenue recognition. This included a review of lease incentive adjustments in respect of income from the Group's property portfolio and an assessment of performance fee or additional return arrangements within the Group's property management business.

Audit Committee Report

Continued

- *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.
- *REIT regime compliance* – The Committee noted that, should the Group not comply with the REIT regulations, it could incur tax penalties or ultimately be expelled from the REIT regime which would have a significant effect on the financial statements. The Committee reviewed, and were satisfied with, management's assessment of compliance for the year and forecast compliance for the year ahead.
- *Impairment of inter-company investments and receivables* – Management perform an annual review of inter-company investments and receivables to determine the values to be maintained in the plc Company only and individual subsidiary balance sheets. The Committee considered the movement over the year and the key assumptions, particularly where balances were held with reference to value in use as opposed to net assets of the underlying entity.

Oversight of the external auditor

The Committee carried out a review of the effectiveness of the external audit process and considered the re-appointment of Deloitte LLP. The review was structured using a questionnaire completed by all Committee members and relevant senior management with the results being collated and aggregated for discussion at the following Committee meeting. The review covered amongst other factors, the quality of the staff, the expertise, the resources, and the independence of Deloitte LLP.

The Committee reviews the audit plan for the year carefully and subsequently considers how the auditor performed to the plan. It considers the quality of written and oral presentations and the overall performance of the lead audit partner.

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

The Group's policy on the use of its external auditor for non-audit services, which was reviewed during the year, precludes the external auditor from being engaged to perform valuation work, accounting services or any recruitment services or secondments. The policy also stipulates that for any piece of work likely to exceed £10,000 at least one other alternative firm provide a proposal for consideration.

The only fees paid to Deloitte LLP during 2015, other than for their year end audit, was £40,000 for their review of the Group's interim statements for the six months to June 2015.

The Committee agreed that it was appropriate to recommend to the Board that Deloitte LLP be reappointed as auditors for a further year and, accordingly a resolution will be put to shareholders at the 2016 Annual General Meeting.

Independence safeguards

In accordance with best practice and professional standards, the external auditor is required to adhere to a rotation policy whereby the audit engagement partner is rotated at least every five years. 2015 is the third year that Georgina Robb has acted as lead audit engagement partner.

Deloitte LLP have been auditor of Capital & Regional plc since 1998. The audit was last put out to tender in 2009 where Deloitte were re-appointed. The Group intends to put the audit out to tender at least every ten years as recommended by the UK Corporate Governance Code. The Group has no contractual obligations which would restrict the choice of an alternative auditor.

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 the Group's Capital Expenditure and controls and IT and data security. The Committee also reviewed and agreed a plan and schedule for reviews for 2016.

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. The policy provides a mechanism to report any ethical wrongdoing or malpractice or suspicion thereof. 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.

Ian Krieger
Chairman of Audit Committee

Directors' Remuneration Report

Introduction

Information not subject to audit:

Annual Statement

Dear Shareholder

On behalf of the Board I am pleased to present the Remuneration Committee's report of the Directors' remuneration for the year ended 30 December 2015 for which we will be seeking approval at the AGM on 10 May 2016. The Committee is also recommending the Remuneration Policy for approval for a three-year period at the AGM. This follows on from a review of policy which the Committee has conducted in response to both concerns raised by shareholders in the last 12 months and the wish of the Remuneration Committee that policy complies with best standards of corporate governance and is clearly aligned with our strategy to deliver shareholder value.

I would first like to thank Philip Newton for his contribution as Chairman of the Remuneration Committee since 2008. Under his leadership, the Company has made significant progress in ensuring that the Company's reporting is more transparent and that its policies have been updated to ensure a high degree of alignment with shareholder interests and compliance with evolving best practice.

The Company has again delivered a strong set of results for 2015. An increase in basic NAV of 20% to 72p per share reflects not only the strength in investment markets through the year but also, and more importantly, the impact of some of the asset management initiatives that form the core of the organic growth strategy. These developments together with a significant volume of new lettings, many to leisure operators at attractive levels, and cost savings from the Mall restructuring have contributed to a 24% increase in Operating Profit from £19.3 million to £24.0 million.

With the conversion to REIT, Management's incentives are now more directly linked to a sustainable increase in income and dividend that is core to our strategy. Against these measures, which are set out on page 64, Management has again performed strongly and this is reflected in the variable compensation for the year although given the very stretching targets, variable compensation is lower than in 2014.

The Committee has given full consideration to feedback from shareholders on the Company's Remuneration Policy and, having taken advice from PwC, is now proposing a number of changes to both prospective policy and annual reporting. These include:

- increased disclosure of performance targets;
- the introduction of relative performance measures to prospective LTIP issues;
- the extension and clarification of malus and clawback provisions to variable compensation;
- greater transparency around change of control provisions within the LTIP;
- the introduction of deferral into shares of part of the annual bonus; and
- the introduction of a cap on new joiner compensation.

At the same time, the Committee has been advised that in key areas, compensation has fallen below median when compared not only to our peer group but also companies of similar market capitalisation. The Committee believes that in order to retain and attract top talent, some adjustments to the structure of both variable compensation and the LTIP awards is necessary. The Committee will continue to ensure that any higher awards are only made for exceptional performance.

For 2016, salaries for Hugh Scott-Barrett, Ken Ford and Charles Staveley will increase by 2%, being the same percentage increase provided to employees across the business, whilst that for Mark Bourgeois will increase by 4.3%, reflecting a move to closer align him with the median level for directors of companies of similar size.

Tony Hales CBE
Chairman of Remuneration Committee

Directors' Remuneration Report

Introduction Continued

Directors' Remuneration Policy

This part of the 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) (Amendment) Regulations 2013 ("the Act").

As noted, we are proposing a number of changes from the policy that was approved at the 2015 AGM and these are detailed within this section. A binding resolution to approve this report will be put to shareholders at the forthcoming 2016 AGM to apply for a three-year period commencing from that date.

The Remuneration Committee

The Committee met four times during 2015 and held a number of informal meetings to discuss wider remuneration issues. In addition to the Committee members (see page 47), the Chief Executive and other non-executive directors are invited to attend meetings as required, except in circumstances where their own remuneration is being discussed.

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

The Committee engaged independent remuneration consultants PwC to provide advice in relation to amendments to the Remuneration Policy for 2016; fees charged were £26,500 on a fixed fee/time spent basis. The Committee were satisfied that PwC were objective and independent in their advice. The only other work that PwC were engaged to perform during the year for the Company was tax advice for which their fees totalled £61,000 in 2015.

The terms of reference of the Committee are available at www.capreg.com/about-us/people/board-committees.

Summary of performance and remuneration for the year ended 30 December 2015

Business performance components

	2015	2014
Total shareholder return[1]	**29.8%**	24.7%
NAV per share	**72p**	60p
EPRA NAV per share	**71p**	59p
Operating Profit[2]	**£24.0m**	£19.3m
Profit for the period	**£100.0m**	£75.2m
See-through net debt/(net cash)[3]	**£355.7m**	£352.1m
See-through net debt to property value[3,4]	**41%**	45%
Share price at year end	**66.38p**	52.75p

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

Directors' Remuneration Report

Policy

Remuneration philosophy and principles

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

- drive accountability and responsibility;
- provide a balanced range of incentives which align both short term and long term performance with the value/returns delivered to shareholders;
- apply demanding performance conditions to deliver sustainable high performance, setting these conditions with due regard to actual and expected market conditions and business context;
- ensure a large part of potential remuneration is delivered in shares in order that executives are expected to build up a shareholding themselves and therefore they are directly exposed to the same gains or losses as all other shareholders;
- take account of the remuneration of other comparator companies of similar size, scope and complexity within our industry sector;
- keep under review the relationship of remuneration to risk – the members of the Remuneration Committee are also that of the Audit Committee; and
- 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

Salary	Fixed compensation	Median	Total = Median or above for above Median performance
Pension			
Benefits			
Bonus	Performance based compensation	Median or above for above Median performance	
Share Awards			

The Committee benchmarks remuneration against our selected comparator group companies (see page 58) and seeks to ensure 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 for above median performance within the comparator group to ensure that outstanding relative performance is appropriately rewarded. The overall effect is that our total compensation is at median or above for above median performance.

Directors' Remuneration Report

Policy Continued

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes
Base salary **Median** — To aid recruitment, retention and motivation of high quality people — To reflect experience and importance of role	Reviewed annually effective 1 January to reflect: — general increases throughout the Company or changes in responsibility or role — benchmarking against comparator group to ensure salaries are about the median level and market competitive	n/a	n/a	No changes to policy. 2% increase for Executive Directors for 2016 in line with employees across the business with exception of Mark Bourgeois whose salary will increase by 4.3%, reflecting a move to closer align him with the median level for companies of similar size.
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 executive director's choice or as a cash supplement CEO receives a pension allowance of 20% of basic salary All other directors receive 15% of basic salary	n/a	n/a	No change
Benefits **Median** — To aid recruitment and retention — To provide market competitive benefits	The Company offers a package to executive directors 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	The bonus plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated Company strategy	Maximum bonus is 125% of basic salary for Executive Directors/150% for Chief Executive. Targets calibrated so maximum payout would represent exceptional performance.	Measures and weightings may vary from year to year depending on strategic priorities. 2015 objectives were weighted at 80% on Group objectives and 20% on individual objectives. 2016 objectives will have the same split (see page 65 for further details).	*To apply for bonuses in respect of year ended 30 December 2016 onwards* Maximum pay-out has been increased from 100% of salary to 125% of salary for Executive Directors and to 150% for the Chief Executive. Deferral applies such that bonus in excess of 60% of maximum for Executive Directors (50% for the Chief Executive) will be deferred for two years and then converted into shares. At the end of the deferral period an additional payment equivalent to the dividends that would have been earnt on the shares will be made. Malus provisions apply up to the date of the bonus determination. Clawback provisions apply to deferred shares for two years.

Purpose & link to strategy	Operation	Opportunity	Performance metrics	Changes
LTIP **Median or above** — To reinforce delivery of long-term business strategy and targets — To align participants with shareholders' interests — To retain directors and senior team over the longer term	Awards are based on achieving specified targets at the end of a three year period. An adjustment of the awards may be made 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 for Executive Directors/200% for the Chief Executive.	*To apply for new LTIP issues from 1 January 2016 onwards* Performance measures to apply for three years from date of grant (three financial years for Average Operating Profit per Share) with equal weighting of a third each: — Total Shareholder Return relative to the FTSE 350 Real Estate Index — Average Annual Growth in Operating Profit per Share — Total Property Return relative to the IPD Retail UK Property Index See pages 58 to 59 for specific benchmarks to be used for the proposed 2016 issue. In the event of a liquidity event the Committee will pro-rate awards for performance and will normally pro-rate for time although it has the discretion not to. A holding period applies such that following the end of the performance period the awards must be held for two years (with potential exceptions in the case of a liquidity event). Malus and Clawback provision applies. *Details of the performance conditions of existing awards are on pages 65 to 67.*	Performance metrics for new awards changed such that 2/3 of performance is with reference to relative performance measures and 1/3 is based on Average Annual Operating Profit per Share Growth. In the event of a liquidity event the Committee will pro-rate for performance and normally pro-rate for time. Increased maximum LTIP opportunity for Executive Directors equivalent to 150% of salary (Chief Executive – 200%), previously only 150% (200%) in exceptional circumstances. Holding period for all prospective awards extended to be 100% for two years with Clawback provisions. The Committee intends to make an award in 2016 at the levels equivalent to 125% of salary for Executive Directors and 150% for the Chief Executive.
Executive shareholding — To support alignment of Executive Directors with shareholders	All executive directors are expected to build a shareholding to at least 1× basic annual salary value (2× for Chief Executive) based on current market value or the aggregate purchase price of the shares. Deferred or other unvested share awards not subject to performance conditions can count towards the guideline.	n/a	n/a	No change

Employee context

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

Comparator group

In the review of Remuneration Policy that the Company undertook with assistance from PwC the below comparator group was used. This is a slightly larger Group than that used previously, encompassing companies of a broader scale and size. The relative size of Capital & Regional in comparison to the constituents was factored into the benchmarking exercise performed. In addition to the companies listed below, consideration was also given to the upper quartile benchmarks for the FTSE Small Cap.

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.

- A & J Mucklow Group Plc
- Assura plc
- Big Yellow Group Plc
- Capital & Counties Properties Plc
- Countrywide Plc
- Derwent London Plc
- Foxtons Group Plc
- Grainger Plc
- Great Portland Estates Plc
- Hammerson Plc
- Hansteen Holdings Plc
- Helical Bar Plc
- Intu Properties Plc
- Land Securities Group Plc
- London & Associated Properties Plc
- LondonMetric Property Plc
- LSL Property Services Plc
- McKay Securities Plc
- Raven Russia Limited
- Safestore Holdings Plc
- Savills Plc
- Segro Plc
- Shaftesbury Plc
- St. Modwen Properties Plc
- The British Land Company Plc
- U and I Group PLC
- Unite Group Plc
- Workspace Group Plc

Proposed LTIP issue in 2016

Subject to, and as soon as practicable after, shareholder approval of the new policy at the 2016 AGM the Committee intends to make an award in 2016 at the levels equivalent to 125% of salary for Executive Directors and 150% for the Chief Executive. In line with the new performance measures detailed above the specific benchmarks that will apply are:

- Total Shareholder Return relative to the FTSE 350 Real Estate Index:
  - Nil – Below Index
  - Threshold (25%) – Equal to Index
  - Maximum (100%) – Index + 12%
- Average Annual Growth in Operating Profit per Share:
  - Nil – Below 5%
  - Threshold (25%) – 5% per annum
  - Maximum (100%) – 9% per annum
- Total Property Return relative to the IPD Retail UK Property Index:
  - Nil – Below Index
  - Threshold (25%) – Equal to Index
  - Maximum (100%) – Index + 1.5%

Operating Profit per Share was set as a benchmark given the key focus, as a REIT, on delivering income and dividend growth. The threshold level of 5% growth per annum aligns with the minimum dividend target set by the Board for the medium term. The IPD Retail and FTSE 350 Real Estate relative performance measures ensure Management performance is measured against relevant peers across the sector at both the property and company level.

In the case of each measure, if performance is between the Threshold (25%) and Maximum (100%) levels, vesting will be calculated on a straight-line basis.

Total Shareholder Return will apply for three years from the date of grant. Total Property Return will apply for three years from the year end or half year end immediately preceding the date of grant. Average EPS growth will apply for the three financial years 2016–2018.

The Remuneration Committee retain discretion to adjust payout if it concludes that performance measures have only been achieved due to actions that deliver short term benefit at the cost of long term performance and financial stability.

The same structure of performance measure will be applied to further LTIP awards but the specific benchmarks will be reviewed ahead of each issue to ensure they remain appropriately stretching.

Malus/Clawback Provision

Bonus

Malus applies to any bonus award up to the date of determination. Clawback provisions apply to deferred shares for two years from the date of award. These provisions will apply from the bonus for the year ended 30 December 2016 onwards.

LTIP

The Committee has malus/clawback provisions in place for the LTIP awards.

The Committee have the discretion to reduce or cancel any outstanding awards that have not vested, and claw back any awards during the holding period, in any of the following situations:

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

Directors' service agreements and letters of appointment

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[1]
Non-Executive Directors		**Date of initial appointment**		
P Newton	Rolling contract	8 August 2006	No notice	None
L Norval	Rolling contract	15 September 2009	No notice	None
J Clare	Rolling contract	29 June 2010	No notice	None
T Hales	Rolling contract	1 August 2011	No notice	None
I Krieger	Rolling contract	1 December 2014	No notice	None
W Hamman	Rolling contract	2 June 2015	No notice	None
L Whyte	Rolling contract	1 December 2015	No notice	None

1. For Mark Bourgeois potential termination payment would be the earlier of 12 months from notice of termination or him obtaining full-time employment.

Copies of the Directors' service agreements are available to view, upon appointment, at the Company's registered office.

Directors' Remuneration Report

Policy continued

Recruitment of Executives

In normal circumstances, new Executive Directors will receive a remuneration package that will reflect the Company's remuneration policy within the parameters outlined. In certain circumstances, such as an internal promotion, an 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 sign on awards paid to new joiners will be 100% of salary. This excludes amounts paid to buy out individuals from existing performance awards. In the event that the Committee proposes to make a significant payment to buy out an individual from their existing awards they will first consult with leading shareholders. In addition, new directors may receive share awards on joining although these 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 Director's termination of employment. The policy in relation to leavers is summarised as follows:

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

The Committee will seek to mitigate the cost to the Company. In the event that the Committee exercises the discretion detailed above to treat an individual as a good leaver and/or to make a performance related bonus payment, the Committee will provide an explanation in the next remuneration report.

External appointments

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

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

Non-Executive Directors

Non-Executive Directors are all appointed on rolling contracts with no notice period. All Directors stand for re-election annually and Board appointments automatically terminate in the event of a director not being re-elected by shareholders.

The Chairman's and Non-Executive Directors' fees are set by the Board taking into account the time commitment, responsibilities, skills and experience and roles on Board Committees. Details of the fees received by each non-executive director can be found within the audited information on page 63. The individuals who are members of both the Audit and Remuneration Committees receive an additional fee of £5,000 per annum.

Senior management

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

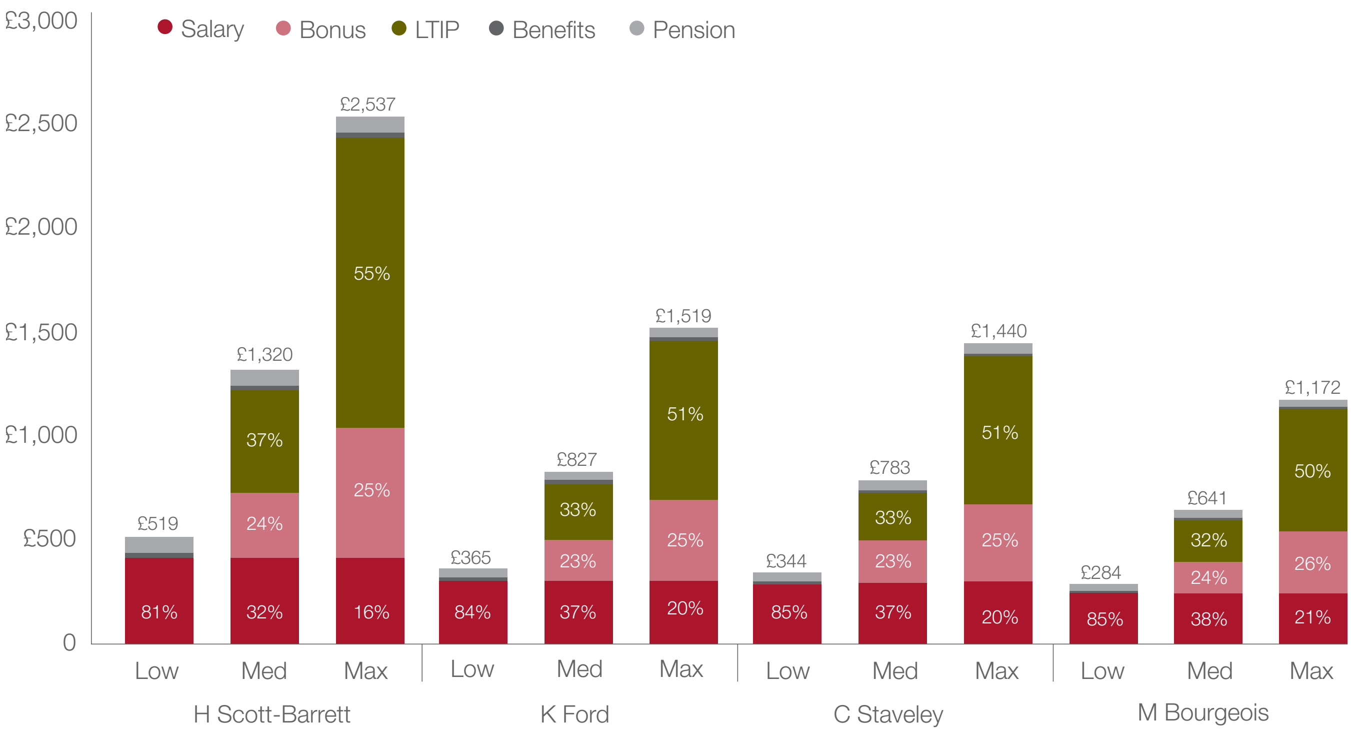
Total compensation

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 2016, dependent on performance scenarios.

- the low scenario is based on nil bonus
- the mid scenario is based on bonus at 50% of maximum and the August 2013 LTIP issue (for which the performance period ends in August 2016) at 50% vesting
- the max scenario is based on bonus at 125% of salary for Executive Directors/150% for Chief Executive and LTIP at 100% vesting

Performance Graph

All figures in £'000



Directors' Remuneration Report

Policy continued

Consultation and shareholders' views

Shareholder voting at the 12 May 2015 AGM was as follows:

Resolution	For	Against	Discretionary	Total Shares Voted	For/ Discretionary as % of Total Shares Voted
To approve the Directors' Remuneration Policy	416,202,957	123,054,559	25,898	539,283,414	77.18%
To approve the Directors' Remuneration Report for 2014	420,173,128	118,934,398	25,664	539,133,190	77.94%

The Committee considered the views of shareholders and other feedback obtained around the time of the 2015 AGM in determining the changes to Remuneration Policy that are detailed on pages 55 to 62.

In advance of the 2016 AGM, the Chairman of the Committee consulted extensively with our key shareholders to discuss the changes being proposed. More generally, where requested, further clarification and discussion can be provided to all shareholders to assist them in making an informed voting decision. If any major concerns are raised by shareholders these can be discussed with the Committee Chairman in the first instance and the rest of the Committee as appropriate.

Committee evaluation

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

Directors' Remuneration Report

2015 Remuneration Report

Audited information

Single total figure of remuneration for Directors:

The table below sets out the remuneration received/receivable in relation to the year ended 30 December 2015. All amounts in the table below were settled in cash, no amounts were deferred.

£'000	Salary/Fees		Taxable benefits*		Other benefits		Cash bonus		LTIP		Pension		Total	
Executive Director	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
H Scott-Barrett	**410**	400	**4**	4	**13**	9	**287**	340	**–**	–	**82**	80	**796**	833
K Ford	**302**	295	**4**	4	**7**	7	**212**	222	**–**	–	**45**	44	**570**	572
C Staveley	**287**	280	**2**	2	**5**	5	**201**	238	**–**	–	**43**	42	**538**	567
M Bourgeois	**231**	225	**2**	3	**4**	4	**162**	180	**–**	–	**35**	34	**434**	446
TOTAL	**1,230**	1,200	**12**	13	**29**	25	**862**	980	**–**	–	**205**	200	**2,338**	2,418
Chairman and Non-Executive Directors														
J Clare (Chairman)	**125**	125	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**125**	125
L Norval	**40**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	40
N Haasbroek(1)	**17**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	40
P Newton(2)	**45**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	45
T Hales(2)	**45**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	45
I Krieger(2)	**45**	4	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	4
W Hamman(3)	**23**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**23**	–
L Whyte(2)(4)	**4**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4**	–
TOTAL	**344**	299	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**344**	299
TOTAL	**1,574**	**1,499**	**12**	**13**	**29**	**25**	**862**	**980**	**–**	**–**	**205**	**200**	**2,682**	**2,717**

* Private medical care and critical illness cover.

1. Resigned 2 June 2015.
2. Receives an additional fee of £5,000 per annum as a member of both the Audit and Remuneration Committees.
3. Appointed 2 June 2015.
4. Appointed 1 December 2015.

Basic salary % level growth chart for all Executive Directors:

	2016		2015		2014		2013		2012		2011
	£'000	**%**	**£'000**	**%**	**£'000**	**%**	**£'000**	**%**	**£'000**	**%**	**£'000**
H Scott-Barrett	**418**	2.0	**410**	2.5	**400**	–	**400**	–	**400**	27.8	**313**
K Ford	**308**	2.0	**302**	2.5	**295**	–	**295**	–	**295**	13.0	**261**
C Staveley	**293**	2.0	**287**	2.5	**280**	–	**280**	–	**280**	7.3	**261**
M Bourgeois	**241**	4.3	**231**	2.5	**225**	–	**225**	n/a	**n/a**	n/a	**n/a**

The increases in salary in 2012 followed the end of a two year period where the Executive Directors had taken a voluntary reduction in salary whilst the Group went through a period of strengthening the balance sheet and refocusing the business.

There was no increase to Executive Directors' salaries between 2012 and 2014. As noted above, salaries for Executive Directors for 2016 have been increased by 2.0% in line with the inflationary increase provided to employees. The only exception is Mark Bourgeois whose salary will increase by 4.3% reflecting a move to closer align him with the median level for companies of similar size.

2015 Remuneration Report continued

2015 bonuses and achievement of objectives:

	Total % awarded for 2015	**Bonus paid 2015 £’000**	Maximum achievable £’000
H Scott-Barrett	70	**287**	410
K Ford	70	**212**	302
C Staveley	70	**201**	287
M Bourgeois	70	**162**	231

The annual cash bonus for 2015 was determined with a weighting of 60% based on Group financial targets, 20% based on Group strategic business targets and 20% based on personal objectives.

Group Objectives: Financial Targets

	Threshold		**Maximum**			
Performance measure	**% of bonus**	**Required performance (£m)**	**% of bonus**	**Required performance (£m)**	**Actual achieved (£m)**	**Pay out as % of salary**
Group Operating Profit[1]	15	23.8	30	26.2	25.0	22.5
Property Net Rental Income[2]	5	57.2	10	60.1	57.2	5
Property Net Valued Income[2]	5	66.1	10	69.4	63.5	–
Property Revaluation Surplus	5	30.6	10	32.1	76.6	10

1. Operating Profit target is adjusted for one-off restructuring/redundancy costs and directors’ bonuses.
2. Property NRI and Net Valued Income targets based on 100% of Mall and Redditch.

Group objectives: business targets

The Remuneration Committee determined that, in 2015, management’s objectives should include a particular focus on Business Growth to be measured in terms of the entrepreneurial approach towards growth by way of acquisition and the potential for acquisitions to deliver enhanced levels of income and dividend growth. This objective was given a 20% weighting in terms of the total bonus opportunity.

The Remuneration Committee has determined that, on the basis of the very successful acquisition of Ipswich completed in March 2015, where performance is well ahead of plan, together with the acquisition of The Marlowes, Hemel Hempstead, completed shortly after 31 December 2015 which offers the opportunity to reshape the town’s retail landscape, Management has achieved 75% of the maximum for this measure, and therefore a pay out of 15% of salary.

Personal objectives

Each of the Executive Directors is given a number of personal objectives which account for a maximum of 20% of the overall target set. These objectives are specific to the individual responsibilities and range from achievement of key milestones for certain specific asset management initiatives in Camberley, Maidstone and Walthamstow to optimisation of the balance sheet, broadening of the investor base following conversion to REIT status and outperformance of the Snozone budget.

The Committee has determined that, based on the high level of achievement against these targets, pay out for each individual should be 87.5% of the maximum for this measure, representing 17.5% of salary.

2016 bonus objectives

Group objectives will continue to account for 80% of the total, of which the majority will be focused on the delivery of financial targets for the Group. Given their commercial sensitivity, we do not publish specific details but will report on achievements in the 2016 Annual Report.

Given the importance of income and dividend growth to strategy, growth in operating profit, property level Net Rental Income and Property Net Valued Rent have been retained as performance measures. An EPRA Cost Income Ratio has been introduced given the Board's wish to see costs reduce in the medium-term. Revaluation surplus has been dropped as a measure given the focus on income growth. Personal objectives relate to progress on Group strategic objectives and/or the success of specific property or asset management initiatives.

Group Operating Profit	30%
Net Rental Income	20%
Business Growth	25%
Cost management	5%
Personal objectives	20%

Share awards (LTIP)

The Remuneration Committee granted LTIP awards to Executive Directors on 6 March 2015. Having considered the relative performance of the individuals, the Committee granted the CEO an award equivalent to 150% of salary and other Executive Directors awards equivalent to 100%. Approximately 50 members of staff also received an award.

The number of awards and the performance periods are summarised in the table below for all existing issues. The performance period for these awards is three years from the date of grant although there is then a holding period. For the awards issued on 16 August 2013 the holding period is one year after the performance date, for the awards issued on 14 August 2014 and 6 March 2015 the holding period is one year for 50% of the awards and two years for the remaining 50%.

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

Name	Date of Award	No. of awards	% of salary	Threshold/Maximum vesting share price	Vested/lapsed in year	Performance date for vesting
H Scott-Barrett	16.08.13	2,078,980[1]	200	40p/70p	–	16.08.16
	14.08.14	1,283,422	150	60p/85p	–	14.08.17
	06.03.15	1,064,935	150	65p/90p	–	06.03.18
K Ford	16.08.13	1,149,935[1]	150	40p/70p	–	16.08.16
	14.08.14	631,016	100	60p/85p	–	14.08.17
	06.03.15	523,593	100	65p/90p	–	06.03.18
C Staveley	16.08.13	1,091,464[1]	150	40p/70p	–	16.08.16
	14.08.14	598,930	100	60p/85p	–	14.08.17
	06.03.15	496,969	100	65p/90p	–	06.03.18
M Bourgeois	16.08.13	877,069[1]	150	40p/70p	–	16.08.16
	14.08.14	481,283	100	60p/85p	–	14.08.17
	06.03.15	399,350	100	65p/90p	–	06.03.18

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

The share price at grant date as used to calculate the number of awards issued was 39.0p for the 16 August 2013 award, 46.8p for the 14 August 2014 award and 57.75p for the 6 March 2015 award.

Directors' Remuneration Report

2015 Remuneration Report continued

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

Performance Target	% vesting	H Scott-Barrett £'000	K Ford £'000	C Staveley £'000	M Bourgeois £'000
August 2013 issue					
At 30 Dec 2015 share price[1]	98.7	1,362	753	715	575
At maximum vesting (70p)[2]	100.0	1,391	769	730	587
At threshold vesting (40p)[2]	25.0	192	106	101	81
August 2014 issue					
At 30 Dec 2015 share price[3]	51.5	439	216	205	164
At maximum vesting (85p)[2]	100.0	1,059	521	494	397
At threshold vesting (60p)[2]	25.0	185	91	86	69
March 2015 issue					
At 30 Dec 2015 share price[4]	35.4	251	123	117	94
At maximum vesting (90p)[2]	100.0	936	460	437	351
At threshold vesting (65p)[2]	25.0	167	82	78	63

1. Share price of 66.38p plus cumulative dividends from 16 August 2013 to 30 December 2015 of 3.10p per share.
2. Calculation includes dividends paid to date but assumes no future dividend payments. In practice, further dividends paid will reduce the value of the final award as while they are factored into what proportion of shares vest, the value of the shares that the recipient ultimately receives will be dependent on share price at date of exercise.
3. Share price of 66.38p plus cumulative dividends from 14 August 2014 to 30 December 2015 of 2.45p per share.
4. Share price of 66.38p plus cumulative dividends from 6 March 2015 to 30 December 2015 of 2.10p per share.

The performance targets for the above awards relate to absolute Total Shareholder Return (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 period) is within the specified range based on the average price for the 30 day period preceding the date of vesting. 25% of the award will vest at threshold with 100% vesting at the top of the range. Vesting between the threshold and maximum points will be on a straight-line basis.

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

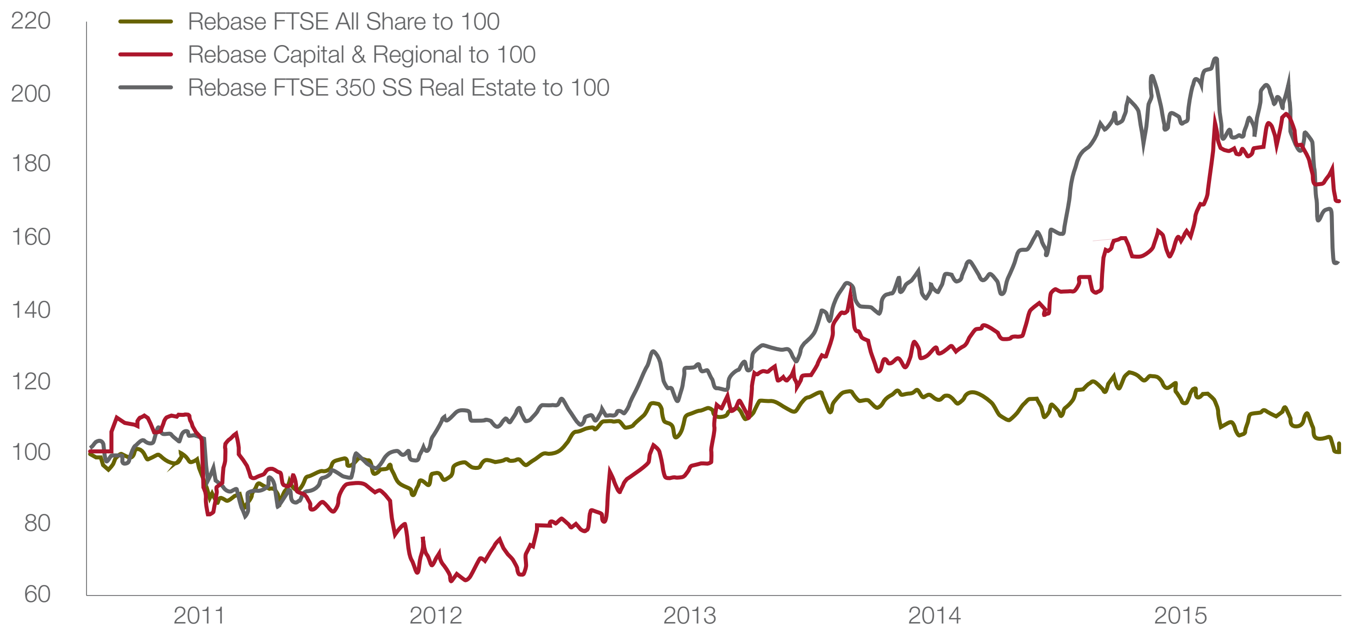
If there is no liquidity event within the three year performance period but the TSR targets are achieved, a discretionary underpin will apply to the LTIP such that the Committee must be satisfied that the TSR performance genuinely reflects management effort and action in delivering financial performance.

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

The above performance conditions and guidance on change of control provisions applies to the awards currently in existence, being those issued in August 2013, August 2014 and March 2015. As noted in the Directors' Remuneration Policy on pages 57 to 59 the performance targets for future awards will change to be on a different basis with two thirds in relation to relative performance metrics and a third on Operating Profits per Share growth targets. On new awards where a liquidity event triggers early vesting, the Committee will pro rate awards for performance and normally pro rate awards for time.

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.



Source: Thomson Reuters Datastream

CEO remuneration	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Total remuneration	**796**	833	651	765	536
Annual bonus (% of max)	**70%**	85%	40%	69%	70%
LTIP (% of max)	**–**	–	–	–	–

Percentage increase in remuneration in 2015 compared with remuneration in 2014

	CEO	Employee group[1]
Salary	2.5%	2.5%
All taxable benefits	No change	No change
Annual bonuses	(16)%	5%

The ratio of the salary of the Chief Executive to the average employee salary[1] (excluding Directors) was 6:1 (£410,000:£67,000).

1. Calculated with reference to employees of Capital & Regional plc and Capital & Regional Property Management. Bonus on a like-for-like basis for continuing employees.

Directors' Remuneration Report

2015 Remuneration Report continued

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.

	2015 £'000	2014 £'000	%
Total Directors' remuneration	**2.7**	2.7	–
Staff costs excluding Directors[1]	**9.1**	7.8	17%
Dividends paid[2]	**21.8**	6.6	230%

1. Staff costs per Note 7 of the financial statements excluding Directors, social security costs, pensions and share based payments. The increase from 2014 reflects the 100% ownership of The Mall for the entirety of 2015
2. Total of interim and proposed final dividend for the respective year.

Executive share ownership

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

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

Executive Directors	**Time from appointment**	**Target % of salary**	**Target currently met?[1]**
H Scott-Barrett	7 years 9 months	200	Yes
C Staveley	7 years 2 months	100	Yes
K Ford	19 years 7 months	100	Yes
M Bourgeois	2 years 5 months	100	Yes

1. Based on either original purchase price of shares or market value based on 30 December 2015 share price.

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 2015 Shares	30 December 2014 Shares
H Scott-Barrett	**2,085,000**	1,932,054
K Ford	**1,897,842**	1,897,842
C Staveley	**540,475**	540,475
M Bourgeois	**439,290**	389,290
J Clare	**692,599**	592,599
N Haasbroek	**n/a**	183,697,765
L Norval	**129,102,511**	199,290,349
P Newton	**327,600**	327,600
T Hales	**500,000**	299,999
I Krieger	**100,000**	–
W Hamman	**–**	n/a
L Whyte	**37,000**	n/a

The above does not include LTIP share awards for which performance conditions still apply. These are disclosed separately on page 65.

L Norval is beneficially interested in the shares registered in the name of MStead Limited and PDI Investment Holdings Limited. The total shareholding of all parties connected to Louis Norval, including those in which he has a beneficial interest and those which he does not but has a connection to, was 167,718,633 shares at 30 December 2015 and 167,596,283 shares at 30 March 2016, representing 23.93% and 23.92% of the Company's issued share capital respectively.

Other than as stated there have been no changes to the above shareholdings since 30 December 2015 to 30 March 2016, the latest practicable date prior to the issue of this report.

Tony Hales CBE
Chairman of Remuneration Committee

Directors' Report

Business review

Information on the Group's business, which is required by section 417 of the Companies Act 2006, can be found in the Strategic Report on pages 04 to 43 which is incorporated into this report by reference. This includes our statutory reporting on greenhouse gas emissions. A report on corporate governance and compliance with the provisions of the UK Corporate Governance Code and Disclosure and Transparency Rules which forms part of this Directors' Report, is set out on pages 46 to 50.

The results for the year are shown in the Group income statement on page 78. Events after the balance sheet date are detailed in Note 30 of the financial statements. The use of financial derivatives is set out in Note 18 to the financial statements.

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.

Dividends

An interim dividend of 1.50 pence per share (2014: 0.35 pence per share) was paid on 29 October 2015. The directors recommend a final dividend of 1.62 pence per share, making a total distribution for the year ended 30 December 2015 of 3.12 pence per share (2014: 0.95 pence per share). 1.42 pence of the 1.62 pence per share is proposed to be paid as a Property Income Distribution (PID).

Subject to approval of shareholders at the Annual General Meeting ("AGM") on 10 May 2016, the final dividend will be paid on 13 May 2016. Other relevant dates are also included on the timetable below:

— Confirmation of ZAR equivalent dividend	1 April 2016
— Last day to trade on Johannesburg Stock Exchange (JSE)	8 April 2016
— Shares trade ex-dividend on the JSE	11 April 2016
— Shares trade ex-dividend on the London Stock Exchange (LSE)	14 April 2016
— Record date for LSE and JSE	15 April 2016
— AGM	10 May 2016
— Dividend payment date	13 May 2016

Shareholders on the JSE should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 8 April 2016. No transfers between the UK and South African registers may take place from 1 April 2016 to 15 April 2016 inclusive.

Property Income Distribution (PID)

UK shareholders – For those who are eligible for exemption from the 20% withholding tax and have not previously registered for exemption, an HM Revenue & Customs ("HMRC") Tax Exemption Declaration is available for download from the "Investors" section of the Capital & Regional plc website (www.capreg.co.uk), or on request to our UK registrars, Equiniti. Validly completed forms must be received by Equiniti no later than the dividend Record Date; otherwise the dividend will be paid after deduction of tax.

South African and other non-UK shareholders – South African shareholders may apply to HMRC after payment of the dividend for a refund of the difference between the 20 per cent withholding tax and the UK/South African double taxation treaty rate of 15 per cent. Other non-UK shareholders may be able to make similar claims for a refund of UK withholding tax deducted. Refund application forms for all non-UK shareholders are available for download from the "Investors" section of the Capital & Regional plc website (capreg.co.uk), or on request to our South African registrars, Link Market Services South Africa Proprietary Limited, or HMRC. UK withholding tax refunds are not claimable from Capital & Regional plc, the South African Revenue Service ("SARS") or other national authorities, only from the UK's HMRC.

Additional information on PIDs can be found at http://www.capreg.com/investor-relations/reit-status.html. The above does not constitute advice and shareholders should seek their own professional guidance. Capital & Regional plc does not accept liability for any loss suffered arising from reliance on the above.

Directors' Report

Continued

Directors

The names and biographical details of the present directors of the Company are given on pages 44 to 45. Wessel Hamman was appointed on 2 June 2015 and Laura Whyte was appointed on 1 December 2015, all other Directors served for the full year. Neno Haasbroek resigned on 2 June 2015.

All directors, who served throughout the year, will retire and, being eligible, offer themselves for re-election at the 2016 Annual General Meeting except for Philip Newton who will step down at that meeting having served nine years as a non-executive director.

Directors' interests in the share capital and equity of the Company at the year end are contained in the Directors' Remuneration Report on page 68. There were no contracts of significance subsisting during or at the end of the year in which a director of the Company was materially interested. No director had a material interest in the share capital of other Group companies during the year.

In connection with the Parkdev Group of Investors ("Parkdev") acquisition of shares in the Company in 2009 and pursuant to the Relationship Agreement that Parkdev 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 they own 20% or more of the issued ordinary share capital in the Company and one non-executive director to the Board if they own less than 20%, but not less than 15%. Louis Norval and Wessel Hamman are the 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

As at 30 March 2016 (the latest practicable date prior to the issue of this report) the Company has been notified of the following interests in its issued ordinary share capital:

	No. of shares	%
MStead Limited	67,121,055	9.58
Standard Life Investments	63,168,738	9.01
PDI Investment Holdings	60,462,806	8.63
ICAMAP Investments S.à r.l.	49,186,964	7.02
Henderson Global Investors	36,276,640	5.18
Cohen & Steers	30,620,160	4.37
Morgan Stanley Investment Management	28,319,719	4.04
Premier Asset Management	26,903,167	3.84
Peens Family Holdings	26,568,085	3.79
Hargreave Hale	26,081,327	3.72

MStead Limited and PDI Investment Holdings are part of the Parkdev Group of Investors.

Share capital and change in control

The Company has one class of ordinary shares of 1 pence each with equal voting rights. On 7 October 2015, the Company commenced a Secondary Listing of shares on the Johannesburg Stock Exchange. Further details are provided in Note 19 to the financial statements.

The Group's core revolving credit facility can be called in if there is a change in direct control of the borrower, Capital & Regional Holdings Limited of 50% or more of its issued share capital. In addition, certain potential tax liabilities could be crystallised in some circumstances where there are varying degrees of change of ownership of the Group's shares.

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

Purchase of own shares

The Company did not make any purchases of its own shares during 2015 or in 2016 up to 30 March 2016, being the latest practicable date prior to the issue of this report.

The Company was authorised by shareholders at the 2015 AGM held on 12 May 2015 to purchase up to a maximum of 10.0% of its ordinary shares in the market. This authority will expire at the 2016 AGM and the directors will be seeking a new authority for the Company to purchase its ordinary shares. This will only be exercised if market and financial conditions make it advantageous to do so.

Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with the legislation in force from time to time.

Shares held by Employee Share Ownership Trust

The Capital & Regional Employee Share Ownership Trust did not acquire any shares in 2014. At 30 December 2015 the Trust held 1,018,552 shares in the Company. The shares held by the Trust are registered in the nominee name, Forest Nominees Limited, and a dividend waiver is in place to cover the entire holding.

Human rights

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

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

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

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 2015 the total number of employees was as follows:

Employees	Male	Female	Total
Directors[1]	10	1	11
Employees – CRPM	30	23	53
Employees – The Mall	24	63	87
Employees – Snozone	162	81	243

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

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.

Auditors' 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.

Annual General Meeting

A separate document, the Notice of Annual General Meeting 2016, accompanies this report and accounts and explains the business to be covered at the Annual General Meeting of the Company to be held on 10 May 2016.
By order of the Board

Stuart Wetherly
Company Secretary
31 March 2016

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

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with FRS 101, as published by the Financial Reporting Council, and applicable law in the United Kingdom. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

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

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

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

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

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

Directors' responsibilities statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of directors on 31 March 2016 and is signed on its behalf by:

Hugh Scott-Barrett
Chief Executive

Charles Staveley
Group Finance Director
31 March 2016

Independent Auditor's Report

to the members of Capital & Regional plc

Opinion on financial statements of Capital & Regional plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 December 2015 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, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the related Notes 1 to 32, the Company Balance Sheet, the Company Statement of Changes in Equity and the related Notes A to F. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 1 to the financial statements and the directors' statement on the longer-term viability of the company contained within the strategic report on page 37.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 32 that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 32 to 36 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation in the strategic report on page 37 as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Independent Auditor's Report

Continued

Our assessment of risks of material misstatement

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

Risk	How the scope of our audit responds to the risk
Property valuations Investment property has a carrying value of £870.0 million at 30 December 2015 (30 December 2014: £790.8 million), comprising 89% (30 December 2014: 86%) of the Group's assets. The portfolio consists of six shopping centres within The Mall fund. The Group has a further interest in investment properties held by a joint venture entity, carried at £27.2 million (30 December 2014: £nil) within the joint venture, and an interest in investment properties held by an associate entity, carried at £160.3 million (30 December 2014: £148.9 million) within the associate. These are disclosed in Note 14d to the Group financial statements. The valuation of investment property is dependent upon a number of assumptions and judgements, such as occupancy rates, lease incentives, break clauses and yields. Changes in these assumptions and judgements could lead to significant movements in property values and consequently unrealised gains or losses in the consolidated income statement. The accounting policy for investment property is set out in Note 1 to the Group financial statements.	• We critically assessed the appropriateness of the design and implementation of the Group's key controls to address the risk over property valuations. • We met with the third party valuers appointed by management to value the property portfolio and challenged the significant judgements and assumptions applied in their valuation model. We verified movements in the key judgements and assumptions and benchmarked the inputs against market data with the assistance of our internal valuation specialists. • We assessed each individual property valuation within the property portfolios. • We assessed the integrity of the information provided to the valuers by management pertaining to rental income, purchasers' costs and occupancy. • We considered the competence and independence of the external valuers.
Going concern and covenant compliance Following the acquisition of control of The Mall fund in 2014, the Group's external loan facilities have maintained a high overall level of utilisation to 30 December 2015. External borrowings had a carrying value of £374.9 million at 30 December 2015 (30 December 2014: £396.8 million). The existence of covenants on external loans held by the Group and the ability of the Group to meet the covenant requirements both during the year and for a period of one year from the date of this Auditor's Report is identified as a significant risk. Management's consideration of the going concern basis of preparation is set out in Note 1 to the Group financial statements.	• We critically assessed the appropriateness of the design and implementation of the Group's key controls to address the risk of non-compliance with covenants and the going concern status of the Group. • We challenged the judgements and assumptions applied by management in their going concern assessment and associated forecasts of financial performance, financial position and covenant compliance including examining current business and economic trends and significant developments during and subsequent to the year ended 30 December 2015.

Risk	How the scope of our audit responds to the risk
Revenue recognition Revenue recognition in respect of lease incentives is identified as a significant risk due to the fact that the calculation of lease incentives is complex. Lease incentives had a carrying value of £18.1 million at 30 December 2015 (30 December 2014: £19.3 million), as disclosed in Note 13 to the Group financial statements. The accounting policies for lease incentives are set out in Note 1 to the Group financial statements. The acquisition of 100% of The Mall fund in 2014 and the disposal of the German portfolio in 2015 removed the Group's material performance fee arrangements. As a result revenue recognition in respect of performance fees within the Group is no longer considered to be a significant risk.	• We critically assessed the appropriateness of the design and implementation of the Group's key controls to address the risk identified over accounting for lease incentives. • We performed our audit testing by verifying the mechanical accuracy of calculations and agreeing inputs to the lease contacts. Our work was focused upon confirming that the leases sampled were correctly accounted for under IAS 17: 'Leases', including new contracts entered into during the year to assess the completeness of the lease incentive calculations.
Impairment of company only investments There is a risk of impairment of the investments and intercompany debtors in the parent company balance sheet. In particular, this relates to the reasonableness of cash flow forecasts which support investments held at above net asset value of the subsidiaries. Investments had a carrying value of £319.2 million at 30 December 2015 (30 December 2014: £333.5 million), comprising 72% (30 December 2014: 70%) of the parent company's assets. Intercompany debtors had a carrying value of £122.5 million at 30 December 2015 (30 December 2014: £138.9 million), comprising 28% (30 December 2014: 29%) of the parent company's assets. The accounting policies for both investments and intercompany debtors are set out in Note A to the parent company financial statements.	• We critically assessed the appropriateness of the design and implementation of the company's key controls to address the risk of impairment of investments and debtor balances. • We challenged management's investment impairment model and the cash flow forecasts employed therein, including comparison of the input assumptions to externally and internally derived data with the assistance of our internal valuations specialists. The inputs considered included the cash flow projections and discount rates. • We also assessed whether the forecasts employed are consistent with those used to support other judgements in the financial statements.

Last year our report included one other risk which is not included in our report this year: the acquisition of control of The Mall fund. This reflected a single non-recurring transaction which was completed last year and therefore the risk associated with this transaction has been removed from this year's report.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee as detailed on page 51.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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.

Independent Auditor's Report

Continued

We determined materiality for the Group to be £6.7 million (2014: £6.0 million), which is below 1.5% (2014: 2%) of total equity attributable to equity holders of the parent.

We also consider Operating Profit (as defined in Note 1 to the Group financial statements) to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, is the basis of the discussion of financial performance in the strategic report and is a metric used by analysts. We applied a lower threshold of £1.0 million (2014: £0.9 million) for testing of all balances impacting this financial performance measure, which is less than 5% of Operating Profit (2014: 5%).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £134,000 (2014: £120,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

Our group audit scope focused primarily on the audit work on the major lines of business. These major lines of business are The Mall fund and Snozone Limited. These are included within individual IFRS 8 segments as disclosed in Note 2 to the Group financial statements. Other major lines of business for scoping purposes include the Kingfisher Limited Partnership, and the Buttermarket Ipswich joint venture (from its acquisition on 3 March 2015), incorporated into the Other Shopping Centre segment and Capital & Regional Property Management Limited, which is incorporated into the Group/Central segment in Note 2 to the Group financial statements. The German joint venture was disposed of on 10 February 2015 and was subject to our audit procedures to that date.

All of the above were subject to a full scope audit with the exception of the German joint venture, the Kingfisher Limited Partnership and the Buttermarket Ipswich joint venture, 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 95% of the Group's net assets (2014: 97%), 100% of the Group's revenue (2014: 99%) and 99% of the Group's Operating Profit (2014: 99%). All investment properties have been included within the scope of our work. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. All components are audited directly by the Group audit team. Our audit work at each component was executed at levels of materiality applicable to each individual entity which were between 2% and 90% (2014: 3% and 95%) of Group materiality.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with certain 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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

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

Georgina Robb FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
31 March 2016

Consolidated Income Statement

For the year to 30 December 2015

	Notes	2015 £m	2014 £m
Continuing operations			
Revenue	3	**80.7**	46.6
Cost of sales	4	**(29.1)**	(18.2)
Gross profit		**51.6**	28.4
Administrative costs		**(10.8)**	(11.0)
Share of profit in associates and joint ventures	14a	**7.8**	10.2
Acquisition of Mall Units	25	**–**	8.1
Gain on revaluation of investment properties	10a	**68.0**	36.9
Other gains and losses	6	**0.2**	4.4
Profit on ordinary activities before financing		**116.8**	77.0
Finance income	5	**0.7**	0.4
Finance costs	5	**(19.9)**	(10.2)
Profit before tax	6	**97.6**	67.2
Tax credit	8a	**–**	2.5
Profit for the year from continuing operations		**97.6**	69.7
Discontinued operations			
Profit for the year from discontinued operations	26	**2.4**	5.5
Profit for the year		**100.0**	75.2
Attributable to:			
Equity holders of the parent		**100.0**	73.7
Non-controlling interest		**–**	1.5
		100.0	75.2
Continuing operations			
Basic earnings per share	9a	**13.9p**	13.6p
Diluted earnings per share	9a	**13.7p**	13.5p
Continuing and discontinued operations			
Basic earnings per share	9a	**14.3p**	14.7p
Diluted earnings per share	9a	**14.0p**	14.5p

Consolidated statement of comprehensive income

For the year to 30 December 2015

	Notes	2015 £m	2014 £m
Profit for the year		**100.0**	75.2
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1.6)**	(2.8)
Gain on a hedge of a net investment taken to equity		**–**	1.7
Total items that that may be reclassified subsequently to profit or loss:		**(1.6)**	(1.1)
Total comprehensive income for the year		**98.4**	74.1
Attributable to:			
Equity holders of the parent		**98.4**	72.6
Non-controlling interest		**–**	1.5
		98.4	74.1

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

Consolidated Balance Sheet

at 30 December 2015

	Note	2015 £m	2014 £m
Non-current assets			
Investment properties	10	**870.0**	790.8
Plant and equipment	11	**0.6**	0.7
Fixed asset investments	26	**1.6**	2.7
Receivables	13	**15.9**	17.9
Investment in associates	14b	**15.9**	13.6
Investment in joint ventures	14c	**11.7**	-
Total non-current assets		**915.7**	825.7
Current assets			
Receivables	13	**13.7**	16.1
Cash and cash equivalents	15	**49.9**	42.6
Assets classified as held for sale	26	**–**	39.5
Total current assets		**63.6**	98.2
Total assets	2b	**979.3**	923.9
Current liabilities			
Trade and other payables	16	**(33.7)**	(41.8)
Current tax liabilities	8	**–**	-
Liabilities directly associated with assets held for sale	26	**–**	(0.8)
		(33.7)	(42.6)
Net current assets		**29.9**	55.6
Non-current liabilities			
Bank loans	17a	**(374.9)**	(396.8)
Other payables	16	**(2.1)**	(0.1)
Obligations under finance leases	27	**(65.4)**	(65.4)
Deferred tax liabilities	8d	**–**	-
Total non-current liabilities		**(442.4)**	(462.3)
Total liabilities	2b	**(476.1)**	(504.9)
Net assets		**503.2**	419.0
Equity			
Share capital	19	**7.0**	7.0
Share premium		**157.2**	157.2
Other reserves		**60.3**	61.5
Capital redemption reserve		**4.4**	4.4
Own shares held	21	**(0.6)**	(0.6)
Retained earnings		**274.9**	189.5
Equity shareholders' funds		**503.2**	419.0
Basic net assets per share	23	**£0.72**	£0.60
EPRA triple net assets per share	23	**£0.70**	£0.59
EPRA net assets per share	23	**£0.71**	£0.59

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 31 March 2016 by:

Charles Staveley
Group Finance Director

Consolidated Statement of Changes in Equity

For the year to 30 December 2015

	Share capital £m	Share premium £m	Other reserves: Merger reserve £m	Other reserves: Foreign currency reserve £m	Other reserves: Net investment hedging reserve £m	Other reserves: Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 30 December 2013	**9.9**	**–**	**60.3**	**4.4**	**(2.1)**	**4.4**	**(0.7)**	**112.5**	**188.7**	**–**	**188.7**
Profit for the year	–	–	–	–	–	–	–	73.7	73.7	1.5	75.2
Other comprehensive loss for the year	–	–	–	(2.8)	1.7	–	–	–	(1.1)	–	(1.1)
Total comprehensive income for the year	**–**	**–**	**–**	**(2.8)**	**1.7**	**–**	**–**	**73.7**	**72.6**	**1.5**	**74.1**
Credit to equity for equity-settled share-based payments (Note 20)	–	–	–	–	–	–	–	0.5	0.5	–	0.5
Deferred tax on share-based payments (Note 8b)	–	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
New shares issued (Note 19)	3.5	157.2	–	–	–	–	–	–	160.7	–	160.7
Dividends paid (Note 32)	–	–	–	–	–	–	–	(3.8)	(3.8)	–	(3.8)
Repurchase and cancellation of deferred shares (Note 19)	(6.4)	–	–	–	–	–	–	6.4	–	–	–
Adjustment arising from change in non-controlling interest	–	–	–	–	–	–	–	0.5	0.5	(1.5)	(1.0)
Other movements	–	–	–	–	–	–	0.1	(0.1)	–	–	–
Balance at 30 December 2014	**7.0**	**157.2**	**60.3**	**1.6**	**(0.4)**	**4.4**	**(0.6)**	**189.5**	**419.0**	**–**	**419.0**
Profit for the year	–	–	–	–	–	–	–	100.0	100.0	–	100.0
Other comprehensive loss for the year	–	–	–	(1.6)	–	–	–	–	(1.6)	–	(1.6)
Total comprehensive income for the year	**–**	**–**	**–**	**(1.6)**	**–**	**–**	**–**	**100.0**	**98.4**	**–**	**98.4**
Credit to equity for equity-settled share-based payments (Note 20)	–	–	–	–	–	–	–	0.6	0.6	–	0.6
Deferred tax on share-based payments (Note 8b)	–	–	–	–	–	–	–	–	–	–	–
Dividends paid (Note 32)	–	–	–	–	–	–	–	(14.7)	(14.7)	–	(14.7)
Other movements	–	–	–	–	0.4	–	–	(0.5)	(0.1)	–	(0.1)
Balance at 30 December 2015	**7.0**	**157.2**	**60.3**	**–**	**–**	**4.4**	**(0.6)**	**274.9**	**503.2**	**–**	**503.2**

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

Consolidated Cash Flow Statement

For the year to 30 December 2015

	Notes	2015 £m	2014 £m
Operating activities			
Net cash from operations	22	**29.9**	22.5
Distributions received from associates	14b	**0.2**	1.5
Distributions received from joint ventures	14c	**-**	5.3
Interest paid		**(13.4)**	(8.7)
Interest received		**0.4**	0.4
Income taxes received		**0.9**	0.4
Cash flows from operating activities		**18.0**	21.4
Investing activities			
Acquisition of Mall Units (net of cash acquired within The Mall)		**-**	(220.1)
Disposal of German joint venture	26	**42.3**	-
Disposal of Waterside Lincoln Limited Partnership	14c	**-**	14.8
Disposal of Leisure World, Hemel Hempstead		**-**	8.4
Other disposals		**-**	0.2
Purchase of plant and equipment	11	**(0.2)**	(0.4)
Capital expenditure on investment properties		**(11.4)**	(2.4)
Investment in joint ventures		**(6.4)**	(0.4)
Loans to joint ventures		**-**	(0.5)
Loans repaid by joint ventures		**-**	0.8
Settlement of forward foreign exchange contract[1]		**2.0**	0.9
Cash flows from investing activities		**26.3**	(198.7)
Financing activities			
Dividends paid	32	**(13.2)**	(3.8)
Bank loans drawn down		**-**	68.1
Bank loans repaid		**(23.4)**	(14.7)
Loan arrangement costs		**(0.4)**	(1.5)
Proceeds on issue of new shares	19	**-**	160.7
Cash flows from financing activities		**(37.0)**	208.8
Net increase in cash and cash equivalents		**7.3**	31.5
Cash and cash equivalents at the beginning of the year		**42.6**	11.6
Cash and cash equivalents at the end of the year	15	**49.9**	42.6

1. Relating to hedge of German investment (previously classified within Financing activities)

Notes to the Financial Statements

1 Significant Accounting Policies

General information

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

Basis of accounting

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

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

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

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

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

Statement of compliance

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

Accounting developments and changes

In the current financial year the Group has adopted IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', IFRS 12 'Disclosures of interests in other entities' and amendments to IAS 32 'Financial Instruments: Presentation', IAS 36 'Impairment of assets' and IAS 39 'Financial Instruments: Recognition and measurement'.

The Group undertook an assessment of the treatment of its subsidiaries, joint ventures and interests in other entities prior to the adoption of IFRS 10, 11 and 12 and concluded that no changes in relation to the presentation of these interests was required. The adoption of these standards has not had a material impact on the Group and otherwise the accounting policies used are consistent with those contained in the Group's last Annual Report and financial statements for the year ended 30 December 2014.

1 Significant Accounting Policies continued

The following accounting standards and interpretations which are relevant to the Group have been issued, but are not yet effective:

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

— IAS 19 'Defined benefit plans: employees contributions – amendments to IAS 19'

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

— IFRS 9 'Financial Instruments'

— IFRS 11 'Accounting for acquisitions of interests in joint operations – amendments to IFRS 11'

— IFRS 15 'Revenue from Contracts with Customers'

— IFRS 16 'Leases'

— IAS 1 'Disclosure initiative – amendments to IAS 1'

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows:

— IFRS 9 will impact both the measurement and disclosures of financial instruments and is effective for the Group's year ending 30 December 2019. The Group has not yet completed its evaluation of the effect of the adoption.

— IFRS 15 does not apply to gross rental income, but does apply to service charge income, other fees and trading property disposals and is effective for the Group's year ending 30 December 2019. The Group does not expect adoption of IFRS 15 to have a material impact on the measurement of revenue recognition, but additional disclosures will be required with regards to the above sources of income.

— IFRS 16 will result in the Group recognising on balance sheet assets it leases along with a corresponding liability. The primary lease contracts that this will impact are the lease on the Group's head offices and the leases of the Snozone business on its Castleford and Milton Keynes sites. In addition, IFRS 16 could have an indirect impact on the Group's business if it leads to a change in occupier behaviour. Examples of this would be if its adoption results in tenants or potential tenants typically seeking shorter lease terms and/or more prevalent use of turnover-related, as opposed to fixed, rents.

Going concern

The financial statements have been prepared on a going concern basis. Details on going concern and the viability statement are provided on page 37.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Property valuation

Reliance upon the work undertaken at 30 December 2015 by independent professional qualified valuers, as disclosed in Note 10c, in assessing the fair value of the Group's investment properties.

Derivative financial instruments

Reliance upon the work undertaken at 30 December 2015 by independent third party experts in assessing the fair values of the Group's derivative financial instruments, which are disclosed in Notes 13 and 18f.

Lease classification

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

Taxation

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

Notes to the Financial Statements

Continued

1 Significant Accounting Policies continued

Compliance with Real Estate Investment Trust (REIT) taxation regime

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

Basis of consolidation

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

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

Business combinations

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

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

Assets held for sale

Assets held for sale are measured at the lower of carrying amount and realisable value with associated costs of sale shown separately as liabilities. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification. The Group considered that its assets held for sale at 30 December 2014 fell within 'Level 2', as defined in Note 1.

Subsidiaries, joint ventures and associates

The consolidated financial statements include the financial statements of Capital & Regional plc and all subsidiaries (entities controlled by Capital & Regional plc). Control is assumed where the Group has the power and the ability to affect the financial and operating policies of an investee entity so as to gain benefits from its activities.

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal. Accounting practices of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation.

1 Significant Accounting Policies continued

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The Group has assessed the nature of its joint arrangements under IFRS 11 'Joint arrangements' and determined them to be joint ventures. This assessment required the exercise of judgement as set out in Note 14c.

Joint ventures and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share (investor's share) of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax, upon elimination of upstream and downstream transactions. Their profits include revaluation movements on investment properties. Interest income, management fees and performance fees are proportionately eliminated.

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the year. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction. The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year: £1 = €1.355 (2014: £1 = €1.278). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.377 (2014: £1 = €1.240).

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:

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

Notes to the Financial Statements

Continued

1 Significant Accounting Policies continued

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.

Leases

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the years in which they are incurred.

Head leases

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

Fixed asset investments

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

1 Significant Accounting Policies continued

Financial instruments

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

Financial assets

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

Effective interest rate method

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

Loans and receivables

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Borrowings

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

Notes to the Financial Statements

Continued

1 Significant Accounting Policies continued

Derivative financial instruments

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

Trade payables

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

Taxation

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

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

Employee benefits

Pension costs

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

Share-based payments

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

Own shares

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

Revenue

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

Gross rental income — Gross rental income is rental income adjusted for tenant incentives, recognised on a straight-line basis over the term of the underlying lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

1 Significant Accounting Policies continued

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

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

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

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

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

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

Finance costs

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

Operating segments

The Group's reportable segments under IFRS 8 are The Mall, Other UK Shopping Centres, Snozone and Group/Central. Other UK Shopping Centres consists of the Group's share in The Buttermarket Centre (Ipswich), the Kingfisher Limited Partnership (Redditch) and, in the prior year until its disposal, The Waterside Lincoln Limited Partnership. Group/Central includes management fee income, Group overheads incurred by Capital & Regional Property Management, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility. Following the acquisition of The Marlowes Centre, Hemel Hempstead that completed in February 2016 the Group will, going forward, report Wholly Owned Assets as a separate segment incorporating both The Mall and The Marlowes Centre.

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

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

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

1 Significant Accounting Policies continued

Operating Profit

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

2a Operating segments

		UK Shopping Centres						
Year to 30 December 2015	Note	The Mall £m	Other UK Shopping Centres £m	Snozone £m	Group/ Central £m	**Total Continuing Operations £m**	Discontinued Operations £m	**Total £m**
Rental income from external sources	2b	57.5	3.1	–	–	**60.6**	–	**60.6**
Property and void costs		(15.3)	(1.1)	–	–	**(16.4)**	–	**(16.4)**
Net rental income		42.2	2.0	–	–	**44.2**	–	**44.2**
Interest income		0.3	–	–	0.2	**0.5**	–	**0.5**
Interest expense		(18.2)	(0.8)	–	–	**(19.0)**	–	**(19.0)**
Contribution		24.3	1.2	–	0.2	**25.7**	–	**25.7**
Snozone income/Management fees	2b	–	–	10.3	6.1	**16.4**	–	**16.4**
Management expenses		–	–	(8.8)	(6.4)	**(15.2)**	–	**(15.2)**
Depreciation		–	–	(0.1)	(0.1)	**(0.2)**	–	**(0.2)**
Interest expense on central facility		–	–	–	(1.0)	**(1.0)**	–	**(1.0)**
Variable overhead (excluding non-cash items)		–	–	–	(1.7)	**(1.7)**	–	**(1.7)**
Operating Profit/(loss)		24.3	1.2	1.4	(2.9)	**24.0**	–	**24.0**
Inter-segment eliminations (revenue and cost allocations)		6.4	–	–	(6.4)	**–**	–	**–**
Share-based payments		–	–	–	(0.6)	**(0.6)**	–	**(0.6)**
Revaluation of properties		68.0	6.8	–	–	**74.8**	–	**74.8**
Profit on disposal		0.1	–	–	–	**0.1**	2.4	**2.5**
Loss on financial instruments		(0.8)	–	–	–	**(0.8)**	–	**(0.8)**
Other items		–	(0.2)	–	0.3	**0.1**	–	**0.1**
Profit/(loss) before tax		98.0	7.8	1.4	(9.6)	**97.6**	2.4	**100.0**
Tax credit	8a				–	**–**	–	**–**
(Loss)/profit after tax					(9.6)	**97.6**	2.4	**100.0**
Total assets	2b	923.6	49.0	3.0	25.1	**1,000.7**	–	**1,000.7**
Total liabilities	2b	(471.4)	(21.4)	(1.7)	(3.0)	**(497.5)**	–	**(497.5)**
Net assets		452.2	27.6	1.3	22.1	**503.2**	–	**503.2**

2a Operating segments continued

Year to 30 December 2014	Note	UK Shopping Centres The Mall £m	Other UK Shopping Centres £m	Snozone £m	Group/ Central £m	**Total Continuing Operations £m**	Discontinued Operations £m	**Total £m**
Rental income from external sources	2b	35.6	3.1	–	–	**38.7**	11.6	**50.3**
Property and void costs		(10.4)	(1.1)	–	–	**(11.5)**	(2.1)	**(13.6)**
Net rental income		25.2	2.0	–	–	**27.2**	9.5	**36.7**
Interest income		0.3	–	–	0.1	**0.4**	–	**0.4**
Interest expense		(10.9)	(1.3)	–	–	**(12.2)**	(3.8)	**(16.0)**
Contribution		14.6	0.7	–	0.1	**15.4**	5.7	**21.1**
Snozone income/Management fees	2b	–	–	9.9	7.3	**17.2**	–	**17.2**
Management expenses		–	–	(8.6)	(8.4)	**(17.0)**	–	**(17.0)**
Depreciation		–	–	(0.1)	(0.1)	**(0.2)**	–	**(0.2)**
Interest expense on central facility		–	–	–	(1.2)	**(1.2)**	–	**(1.2)**
Variable overhead (excluding non-cash items)		–	–	–	(1.1)	**(1.1)**	–	**(1.1)**
Lincoln performance fees		–	(0.4)	–	0.9	**0.5**	–	**0.5**
Operating Profit/(loss)		14.6	0.3	1.2	(2.5)	**13.6**	5.7	**19.3**
Inter-segment eliminations		2.6	–	–	(2.6)	**–**	–	**–**
Acquisition of Mall Units (including Mall performance fees)	25	5.3	–	–	2.8	**8.1**	–	**8.1**
Share-based payments		–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Revaluation of properties		42.0	1.2	–	–	**43.2**	(0.5)	**42.7**
Profit on disposal		0.1	4.7	–	–	**4.8**	–	**4.8**
(Loss)/gain on financial instruments		(0.3)	(0.3)	–	–	**(0.6)**	0.9	**0.3**
Other items		–	(0.2)	–	(1.0)	**(1.2)**	(0.6)	**(1.8)**
Profit/(loss) before tax		64.3	5.7	1.2	(4.0)	**67.2**	5.5	**72.7**
Tax credit	8a				2.5	**2.5**	–	**2.5**
(Loss)/profit after tax					(1.5)	**69.7**	5.5	**75.2**
Total assets	2b	857.6	32.1	2.7	7.8	**900.2**	42.2	**942.4**
Total liabilities	2b	(480.4)	(18.5)	(1.7)	(22.0)	**(522.6)**	(0.8)	**(523.4)**
Net assets/(liabilities)		377.2	13.6	1.0	(14.2)	**377.6**	41.4	**419.0**

Notes to the Financial Statements

Continued

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Notes	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Rental income from external sources	2a	**60.6**	38.7
Service charge income		**11.9**	5.4
Management fees	2a	**6.1**	7.3
Performance fees		**-**	6.8
Snozone income	2a	**10.3**	9.9
Revenue for reportable segments – continuing operations		**88.9**	68.1
Elimination of inter-segment revenue		**(5.1)**	(2.6)
Elimination of inter-segment performance fees		**-**	(5.9)
Rental income earned by associates and joint ventures		**(3.1)**	(12.2)
Management fees earned by associates and joint ventures		**-**	(0.8)
Revenue per consolidated income statement – continuing operations	3	**80.7**	46.6
Revenue for reportable segments by country – continuing operations			
UK		**88.9**	67.3
Germany		**-**	0.8
Revenue for reportable segments – continuing operations		**88.9**	68.1

Revenue is attributed to countries on the basis of the location of the underlying properties. Revenue from the Group's major customer was management fee income from The Mall LP however, following the Group taking control of The Mall from 14 July 2014, this has been eliminated on consolidation. The total included in the property management segment up to that date was £nil (2014: £2.8 million) of the Group's total revenue of £80.7 million (2014: £46.6 million). Further information on related party transactions is disclosed in Note 31 to the financial statements.

Assets	Notes	2015 £m	2014 £m
Total assets of reportable segments	2a	**1,000.7**	942.4
Adjustment for associates and joint ventures		**(21.4)**	(18.5)
Group assets		**979.3**	923.9
Liabilities			
Total liabilities of reportable segments	2a	**(497.5)**	(523.4)
Adjustment for associates and joint ventures		**21.4**	18.5
Group liabilities		**(476.1)**	(504.9)
Net assets by country			
UK		**503.1**	377.6
Germany		**0.1**	41.4
Group net assets		**503.2**	419.0

3 Revenue

Statutory	Notes	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Gross rental income		**47.7**	22.2
Ancillary income		**9.8**	4.3
		57.5	26.5
Service charge income		**11.9**	5.4
Management fees		**1.0**	4.8
Snozone income	2a	**10.3**	9.9
Revenue per consolidated income statement – continuing operations	2b	**80.7**	46.6

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

4 Cost of sales

	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Property and void costs	**(9.6)**	(4.1)
Service charge costs	**(10.6)**	(5.4)
Snozone expenses	**(8.9)**	(8.7)
Total cost of sales	**(29.1)**	(18.2)

5 Finance income and costs

	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Finance income		
Interest receivable	**0.5**	0.4
Income from investments	**0.2**	–
Total finance income	**0.7**	0.4
Finance costs		
Amortisation of deferred loan arrangement fees	**(1.9)**	(1.0)
Interest payable on bank loans and overdrafts	**(13.2)**	(6.1)
Other interest payable	**(0.4)**	(0.3)
Finance lease costs	**(3.6)**	(1.7)
Loss in fair value of financial instruments:		
– Interest rate caps	**(0.8)**	(1.1)
Total finance costs	**(19.9)**	(10.2)

Notes to the Financial Statements

Continued

6 Profit before tax

The profit before tax has been arrived at after charging/(crediting) the following items:

	Notes	**Year to 30 December 2015 £m**	Year to 30 December 2014 £m
Operating lease charge		**1.8**	1.6
Other gains and losses		**(0.2)**	(4.4)
Depreciation of plant and equipment	11	**0.2**	0.3
Staff costs	7	**13.5**	12.3
Auditor's remuneration for audit services (see below)		**0.2**	0.2

In the current year other gains and losses relate to profits arising on the release of accruals in relation to properties disposed of in prior years. Other gains and losses in the prior year related to the profit on the sale of the Group's interest in the Waterside Lincoln Limited Partnership of £4.7 million less the £0.3 million loss on disposal of the Group's interest in Garigal Asset Management GmbH (see Note 14).

Auditor's remuneration

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

	Year to 30 December 2015 £'000	Year to 30 December 2014 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**80**	104
Fees payable to the Company's auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	**66**	71
Total audit fees for the Company and its subsidiaries	**146**	175
Audit related assurance services (Review of Interim Report)	**40**	43
Corporate finance services (Reporting Accountants on Mall Acquisition)	**–**	138
Total non-audit fees	**40**	181
Total fees paid to auditor and their associates	**186**	356

No fees were charged in the current or prior year pursuant to contingent fee arrangements.

7 Staff costs

	Notes	**Year to 30 December 2015 £m**	Year to 30 December 2014 £m
Salaries		**10.2**	9.1
Loss of office/redundancy payments		**–**	0.3
Discretionary bonuses		**1.6**	1.1
Share-based payments	20	**0.6**	0.5
		12.4	11.0
Social security		**1.0**	1.2
Other pension costs		**0.1**	0.1
		13.5	12.3

£2.2 million (2014: £1.1 million) of the total staff costs charged relates to staff within The Mall after 14 July 2014, being the date the Group took control of The Mall Fund, the costs of which are fully recovered in the service charge. In addition to the above £nil (2014: £0.4 million) of bonuses have been charged as transaction costs where their payment was dependent on the successful completion of the relevant transaction.

7 Staff costs continued

Staff numbers

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

	Year to 30 December 2015 Number	Year to 30 December 2014 Number
CRPM/PLC	**52**	62
The Mall	**64**	62
Snozone	**146**	145
Total staff numbers	**262**	269

The monthly average number of total employees (including executive directors) employed within the Group during the year was 371 (CRPM – 54, The Mall – 86, Snozone – 231) compared to 397 in 2014 (CRPM – 64, The Mall – 86, Snozone – 247).

8 Tax

The Group converted to a group REIT on 31 December 2014. Further information is disclosed in Note 8f.

8a Tax credit

	Notes	**Year to 30 December 2015 £m**	Year to 30 December 2014 £m
Current tax			
UK corporation tax – continuing operations		**–**	–
UK corporation tax – discontinued operations		**–**	–
Adjustments in respect of prior years – continuing operations		**–**	(1.0)
Foreign tax – continuing operations		**–**	–
Total current tax credit		**–**	(1.0)
Deferred tax			
Origination and reversal of temporary timing differences		**–**	(1.3)
Deferred tax credit – discontinued operations	8d	**–**	–
Adjustments in respect of prior years – continuing operations		**–**	(0.2)
Total deferred tax credit	8d	**–**	(1.5)
Total tax credit		**–**	(2.5)
Total tax credit – continuing operations	8c	**–**	(2.5)
Total tax credit – discontinued operations		**–**	–

£nil (2014: £nil) of the tax charge relates to items included in other comprehensive income.

8b Tax charge to equity

	Notes	**Year to 30 December 2015 £m**	Year to 30 December 2014 £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	8d	**–**	0.2

8 Tax continued

8c Tax charge reconciliation

	Notes	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Profit before tax on continuing operations		**97.6**	67.2
Profit multiplied by the UK corporation tax rate of 20.25% (2014: 21.5%)		**19.8**	14.4
REIT exempt income and gains		**(18.5)**	-
Tax on realised gains		**–**	0.1
Non-allowable expenses and non-taxable items		**–**	(4.4)
Excess tax losses/(utilisation of tax losses)		**0.3**	(0.7)
Unrealised gains on investment properties not taxable		**(1.5)**	(9.1)
Temporary timing and controlled foreign companies income		**(0.1)**	(1.6)
Adjustments in respect of prior years		**–**	(1.2)
Total tax credit	8a	**–**	(2.5)

8d Deferred tax

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

	Notes	Capital allowances £m	Other timing differences £m	Total deferred tax asset £m
At 30 December 2013		(1.4)	0.5	(0.9)
Deferred tax credit/(charge) – continuing operations	8a	1.5	(0.2)	1.3
Deferred tax charge to equity – continuing operations	8b	-	(0.3)	(0.3)
Deferred tax charge – discontinued operations	8a	-	-	-
At 30 December 2014		0.1	-	0.1
Deferred tax charge – continuing operations		-	-	-
Deferred tax charge to equity – continuing operations		-	-	-
Deferred tax charge – discontinued operations	8a	-	-	-
At 30 December 2015		**0.1**	**-**	**0.1**

The UK corporation tax main rate was reduced to 20% with effect from 1 April 2015. The budget on 8 July 2015 announced a further phased reduction in the UK corporation tax main rate whereby the rate is proposed to reduce to 18% by 1 April 2020. This proposal was substantively enacted on 26 October 2015. Consequently the UK corporation tax rate at which deferred tax is booked in the financial statements is 18% (2014: 20%).

The budget on 16 March 2016 announced a further proposed reduction in the UK corporation tax main rate to 17% by 1 April 2020 (previously 18% as noted above). However, until this proposal is substantively enacted, the rate at which deferred tax is booked will remain at 18%.

No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates and interests in joint ventures of £nil (2014: £0.3 million) as it is not certain that a deduction will be available when the asset crystallises.

8e Unused tax losses

The Group has £9.2 million (2014: £7.6 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses (2014: £nil). The Group has unused capital losses of £30.4 million (2014: £40.6 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.

8 Tax continued

8f REIT conversion

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

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

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

9 Earnings per share

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

9a Earnings per share calculation

		Year to 30 December 2015			Year to 30 December 2014		
	Notes	**Basic**	**Diluted**	**EPRA diluted**	Basic	Diluted	EPRA diluted
Profit (£m)							
Profit for the year from continuing operations		**97.6**	**97.6**	**97.6**	69.7	69.7	69.7
Revaluation of investment properties	9b	**–**	**–**	**(74.8)**	-	-	(43.2)
Profit on disposal of investment properties (net of tax)	9b	**–**	**–**	**(0.1)**	-	-	(4.8)
Negative goodwill	25	**–**	**–**	**–**	-	-	(11.5)
Acquisition costs	25	**–**	**–**	**–**	-	-	3.1
Movement in fair value of financial instruments (net of tax)	9b	**–**	**–**	**0.8**	-	-	1.0
Deferred tax credit/(charge) on capital allowances	8d	**–**	**–**	**0.1**	-	-	(1.5)
Profit from continuing operations		**97.6**	**97.6**	**23.6**	69.7	69.7	12.8
Discontinued operations		**2.4**	**2.4**	**–**	5.5	5.5	5.1
Profit		**100.0**	**100.0**	**23.6**	75.2	75.2	17.9
Weighted average number of shares (m)							
Ordinary shares in issue	19	**700.8**	**700.8**	**700.8**	514.2	514.2	514.2
Own shares held	21	**(1.0)**	**(1.0)**	**(1.0)**	(1.1)	(1.1)	(1.1)
Dilutive contingently issuable shares and share options		**–**	**12.6**	**12.6**	-	4.6	4.6
		699.8	**712.4**	**712.4**	513.1	517.7	517.7
Earnings per share (pence)		**14.3p**	**14.0p**	**3.3p**	14.7p	14.5p	3.5p
Earnings per share (pence) — continuing operations		**13.9p**	**13.7p**	**3.3p**	13.6p	13.5p	2.5p
Earnings per share (pence) — discontinued operations		**0.4p**	**0.3p**	**–**	1.1p	1.0p	1.0p

At the end of the year, the Group had 6,253,547 (2014: 8,823,758) share options and contingently issuable shares granted under share-based payment schemes that could potentially have diluted basic earnings per share in the future but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

Notes to the Financial Statements

Continued

9 Earnings per share continued

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

		Year to 30 December 2015			Year to 30 December 2014		
	Note	**Revaluation movements £m**	**Profit on disposal of investment properties £m**	**Movement in fair value of financial instruments £m**	Revaluation movements £m	Profit on disposal of investment properties £m	Movement in fair value of financial instruments £m
Associates	14d	**1.7**	**–**	**–**	7.4	0.1	0.3
Joint ventures	14e	**5.1**	**–**	**–**	(1.1)	4.7	0.1
Wholly-owned		**68.0**	**0.1**	**(0.8)**	36.9	–	(1.0)
Tax effect		**–**	**–**	**–**	–	–	(0.4)
Total	9a	**74.8**	**0.1**	**(0.8)**	43.2	4.8	(1.0)

9c Headline earnings per share

	Year to 30 December 2015		Year to 30 December 2014	
	Basic	**Diluted**	Basic	Diluted
Profit (£m)				
Profit for the year	**100.0**	**100.0**	75.2	75.2
Revaluation of investment properties	**(74.8)**	**(74.8)**	(42.7)	(42.7)
Profit on disposal of investment properties (net of tax)	**(2.5)**	**(2.5)**	(4.8)	(4.8)
Negative goodwill on acquisition of The Mall	**–**	**–**	(11.5)	(11.5)
Acquisition costs on The Mall	**–**	**–**	3.1	3.1
Headline earnings	**22.7**	**22.7**	19.3	19.3
Weighted average number of shares (m)				
Ordinary shares in issue	**700.8**	**700.8**	514.2	514.2
Own shares held	**(1.0)**	**(1.0)**	(1.1)	(1.1)
Dilutive contingently issuable shares and share options	**–**	**12.6**	–	4.6
	699.8	**712.4**	513.1	517.7
Headline Earnings per share (pence)	**3.2p**	**3.2p**	3.8p	3.7p

10 Investment properties

10a Wholly-owned properties

	Freehold investment properties £m	Leasehold investment properties £m	**Total property assets £m**
Cost or valuation			
At 30 December 2013	–	–	**–**
Acquired in business combination (The Mall)	240.3	511.8	**752.1**
Capital expenditure	0.3	1.5	**1.8**
Valuation surplus	16.1	20.8	**36.9**
At 30 December 2014	256.7	534.1	**790.8**
Capital expenditure	3.6	7.6	**11.2**
Valuation surplus	32.4	35.6	**68.0**
At 30 December 2015	**292.7**	**577.3**	**870.0**

10 Investment properties continued

10b Property assets summary

	30 December 2015 100% £m	30 December 2015 Group share £m	30 December 2014 100% £m	30 December 2014 Group share £m
Wholly-owned				
Investment properties at fair value	**822.7**	**822.7**	744.7	744.7
Head leases treated as finance leases on investment properties	**65.4**	**65.4**	65.4	65.4
Unamortised tenant incentives on investment properties	**(18.1)**	**(18.1)**	(19.3)	(19.3)
IFRS Property Value	**870.0**	**870.0**	790.8	790.8
Associates				
Investment properties at fair value	**164.4**	**32.9**	151.0	30.2
Unamortised tenant incentives on investment properties	**(4.1)**	**(0.8)**	(2.1)	(0.4)
IFRS Property Value	**160.3**	**32.1**	148.9	29.8
Joint Ventures				
Investment properties at fair value	**27.9**	**14.0**	–	–
Unamortised tenant incentives on investment properties	**(0.7)**	**(0.4)**	–	–
IFRS Property Value	**27.2**	**13.6**	–	–
Total at property valuation	**1,015.0**	**869.6**	895.7	774.9
Total IFRS Property Value	**1,057.5**	**915.7**	939.7	820.6

10c Valuations

External valuations at 30 December 2015 were carried out on all of the gross property assets detailed in the table above. The Group's share of the total investment properties at fair value was £869.6 million of £1,015.0 million (2014: £774.9 million of £895.7 million).

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

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

The Group considers all of its investment properties to fall within 'Level 3', as defined in Note 1. The table below summarises the key unobservable inputs used in the valuation of the Group's wholly-owned investment properties at 30 December 2015:

	Market Value £m	Estimated rental value £ per sq ft Low	Estimated rental value £ per sq ft Portfolio	Estimated rental value £ per sq ft High	Equivalent yield % Low	Equivalent yield % Portfolio	Equivalent yield % High
The Mall	822.7	14.83	19.67	24.31	5.30	6.10	7.51

Sensitivities

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

	Impact on valuations of 5% change in estimated rental value Increase £m	Impact on valuations of 5% change in estimated rental value Decrease £m	Impact on valuations of 25bps change in equivalent yield Increase £m	Impact on valuations of 25bps change in equivalent yield Decrease £m
The Mall	36.5	(35.9)	(34.6)	37.6

Notes to the Financial Statements

Continued

11 Plant and equipment

	30 December 2015 £m	30 December 2014 £m
Cost or valuation		
At the start of the year	**3.2**	2.9
Additions	**0.2**	0.4
Disposals	**(0.1)**	(0.1)
At the end of the year	**3.3**	3.2
Accumulated depreciation		
At the start of the year	**(2.5)**	(2.2)
Charge for the year	**(0.2)**	(0.3)
At the end of the year	**(2.7)**	(2.5)
Carrying amount		
At the end of the year	**0.6**	0.7

12 Subsidiaries

A list of the subsidiaries of the Group, including the name, country of incorporation, and proportion of ownership interest is given in Note F to the Company financial statements.

13 Receivables

	30 December 2015 £m	30 December 2014 £m
Amounts falling due after one year:		
Financial assets		
Interest rate cap	**0.5**	1.3
	0.5	1.3
Non-financial assets		
Unamortised tenant incentives	**5.2**	6.1
Unamortised rent free periods	**10.2**	10.5
	15.9	17.9
Amounts falling due within one year:		
Financial assets		
Trade receivables (net of allowances)	**5.2**	4.0
Amounts owed by associates	**0.2**	0.1
Deferred tax asset	**0.1**	0.1
Other receivables	**2.0**	3.5
Accrued income	**0.4**	0.4
Non-derivative financial assets	**7.9**	8.1
Financial assets carried at fair value through the profit or loss:		
— Foreign exchange forward contracts	**–**	2.2
	7.9	10.3
Non-financial assets		
Prepayments	**3.1**	3.1
Unamortised tenant incentives	**1.1**	1.1
Unamortised rent free periods	**1.6**	1.6
	13.7	16.1

The Group has pledged loans to joint ventures with a carrying amount of £nil (2014: £14.2 million) to secure banking facilities granted to the Group.

Included in the non-derivative financial assets balance are trade receivables with a carrying amount of £2.4 million (2014: £2.3 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds collateral of £0.6 million (2014: £0.6 million) over trade receivables as security deposits held in rent accounts. The average age of trade receivables is 25 days (2014: 34 days).

13 Receivables continued

	30 December 2015 £m	30 December 2014 £m
Analysis of non-derivative current financial assets		
Not past due	**5.5**	5.5
Past due but not individually impaired:		
Less than 1 month	**2.3**	1.8
1 to 3 months	**0.1**	0.1
3 to 6 months	**–**	0.3
Over 6 months	**–**	0.4
	7.9	8.1

	30 December 2015 £m	30 December 2014 £m
Allowances for doubtful receivables		
At the start of the year	**0.9**	0.4
Acquired within The Mall	**–**	0.8
Additional allowances created	**1.0**	0.6
Utilised during the year	**(0.8)**	(0.8)
Unused amounts reversed	**(0.5)**	(0.1)
At the end of the year	**0.6**	0.9

14 Investment in associates and joint ventures

14a Share of results

	Notes	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Share of results of associates	14d	**2.5**	11.7
Share of results of joint ventures	14e	**5.3**	(1.5)
		7.8	10.2

See Note F of the Company's separate financial statements for further detail on our associate and joint venture entities.

14b Investment in associates

	Notes	30 December 2015 £m	30 December 2014 £m
At the start of the year		**13.6**	112.1
Share of results of associates	14d	**2.5**	11.7
Dividends and capital distributions received		**(0.2)**	(1.5)
Reclassification of The Mall Fund as a subsidiary		**–**	(108.4)
Disposal of interest in Garigal Asset Management GmbH		**–**	(0.3)
At the end of the year	14d	**15.9**	13.6

The Group's only significant associate during 2015 was the Kingfisher Limited Partnership in which the Group is in partnership with funds under the management of Oaktree Capital Management LP. The Group has a 20% share. The Kingfisher Limited Partnership owns The Kingfisher Shopping Centre in Redditch which it acquired in 2012 for £130.0 million at an 8% net initial yield. The Group exercises significant influence through its representation on the General Partner board and through acting as the property and asset manager.

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

Notes to the Financial Statements

Continued

14 Investment in associates and joint ventures continued

14c Investment in joint ventures

	Note	30 December 2015 £m	30 December 2014 £m
At the start of the year		–	32.3
Investment in joint ventures		6.4	-
Share of results of joint ventures within continuing operations	14e	5.3	(1.5)
Share of results of joint ventures within discontinued operations	14e	–	4.6
Dividends and capital distributions received	31	–	(5.3)
Reclassified as held for sale (Germany)		–	(26.8)
Disposal of Waterside Lincoln Limited Partnership		–	(1.3)
Foreign exchange differences		–	(2.0)
At the end of the year	14e	11.7	-

The Group's only significant joint venture during 2015 was the Buttermarket Centre, Ipswich. The joint venture's property investment activity is carried out in a separate limited company, Buttermarket Ipswich Limited.

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

The Buttermarket Centre was acquired on 3 March 2015 in a 50:50 joint venture with Drum Property Group. The centre was acquired on a freehold basis for £9.2 million equivalent to a Net Initial Yield of 8.46%.

The Group's investment in its German joint venture was reclassified as held for sale on 24 December 2014. The disposal was completed on 10 February 2015, see Note 26 for further details.

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

14 Investment in associates and joint ventures continued

14d Analysis of investment in associates

	Other UK Shopping Centres – Kingfisher Redditch £m	**Year to 30 December 2015 Total £m**	Year to 30 December 2014 Total £m
Income statement (100%)			
Revenue – gross rent	11.9	**11.9**	43.0
Property and management expenses	(1.9)	**(1.9)**	(10.2)
Void costs	(1.1)	**(1.1)**	(2.5)
Net rent	8.9	**8.9**	30.3
Net interest payable	(4.1)	**(4.1)**	(15.2)
Contribution	4.8	**4.8**	15.1
Revenue - management fees	-	**–**	2.6
Management expenses	-	**–**	(1.3)
Revaluation of investment properties	8.6	**8.6**	28.9
Profit on sale of investment properties	-	**–**	0.3
Fair value of interest rate swaps	0.2	**0.2**	0.6
Profit before tax	13.6	**13.6**	46.2
Tax	(1.0)	**(1.0)**	(1.1)
Profit after tax	12.6	**12.6**	45.1
Balance sheet (100%)			
Investment properties	160.3	**160.3**	148.9
Other assets	12.2	**12.2**	11.6
Current liabilities	(7.6)	**(7.6)**	(6.4)
Non-current liabilities	(85.1)	**(85.1)**	(86.0)
Net assets (100%)	79.8	**79.8**	68.1
Income statement (Group share)			
Revenue – gross rent	2.4	**2.4**	11.5
Property and management expenses	(0.4)	**(0.4)**	(2.7)
Void costs	(0.2)	**(0.2)**	(0.7)
Net rent	1.8	**1.8**	8.1
Net interest payable	(0.8)	**(0.8)**	(4.0)
Contribution	1.0	**1.0**	4.1
Revenue — management fees	-	**–**	0.8
Management expenses	-	**–**	(0.8)
Revaluation of investment properties	1.7	**1.7**	7.4
Profit on sale of investment properties	-	**–**	0.1
Fair value of interest rate swaps	-	**–**	0.3
Profit before tax	2.7	**2.7**	11.9
Tax	(0.2)	**(0.2)**	(0.2)
Profit after tax	2.5	**2.5**	11.7
Balance sheet (Group share)			
Investment properties	32.1	**32.1**	29.8
Other assets	2.4	**2.4**	2.3
Current liabilities	(1.5)	**(1.5)**	(1.3)
Non-current liabilities	(17.1)	**(17.1)**	(17.2)
Net assets (Group share)	15.9	**15.9**	13.6

Notes to the Financial Statements

Continued

14 Investment in associates and joint ventures continued

14e Analysis of investment in joint ventures

	Other UK Shopping Centres – Buttermarket Ipswich	**Year to 30 December 2015 Total £m**	Year to 30 December 2014 Total £m
Income statement (100%)			
Revenue – gross rent	1.5	**1.5**	24.6
Property and management expenses	(0.5)	**(0.5)**	(5.4)
Void costs	(0.6)	**(0.6)**	(0.3)
Net rent	0.4	**0.4**	18.9
Net interest payable	–	**–**	(9.2)
Contribution	0.4	**0.4**	9.7
Revaluation of investment properties	10.1	**10.1**	(3.1)
Profit on sale of investment properties	–	**–**	0.1
Fair value of interest rate swaps	–	**–**	0.8
Profit before tax	10.5	**10.5**	7.5
Tax	–	**–**	(1.3)
Profit after tax	10.5	**10.5**	6.2
Balance sheet (100%)			
Investment properties	27.2	**27.2**	–
Other assets	1.7	**1.7**	–
Current liabilities	(1.8)	**(1.8)**	–
Non-current liabilities	(4.0)	**(4.0)**	–
Net assets (100%)	23.1	**23.1**	–
Income statement (Group share)			
Revenue – gross rent	0.7	**0.7**	12.3
Property and management expenses	(0.2)	**(0.2)**	(2.7)
Void costs	(0.3)	**(0.3)**	(0.2)
Net rent	0.2	**0.2**	9.4
Net interest payable	–	**–**	(4.6)
Contribution	0.2	**0.2**	4.8
Revaluation of investment properties	5.1	**5.1**	(1.6)
Profit on sale of investment properties	0.1	**–**	–
Fair value of interest rate swaps	–	**–**	0.5
Profit before tax	5.3	**5.3**	3.8
Tax	–	**–**	(0.7)
Profit after tax	5.3	**5.3**	3.1
Balance sheet (Group share)			
Investment properties	13.6	**13.6**	–
Other assets	0.9	**0.9**	–
Current liabilities	(0.8)	**(0.8)**	–
Non-current liabilities	(2.0)	**(2.0)**	–
Net assets (Group share)	11.7	**11.7**	–

15 Cash and cash equivalents

	30 December 2015 £m	30 December 2014 £m
Cash at bank and in hand	**41.9**	33.6
Security deposits held in rent accounts	**0.6**	0.6
Other restricted balances	**7.4**	8.4
	49.9	42.6

Other restricted balances include amounts subject to a charge against various borrowings and may therefore not be available for general use by the Group. All of the above amounts at 30 December 2015 were held in Sterling other than £0.3 million which was held in Euros (30 December 2014: £nil).

16 Trade and other payables

	30 December 2015 £m	30 December 2014 £m
Amounts falling due after one year:		
Financial liabilities		
Accruals	**0.6**	0.1
Other creditors	**1.5**	-
Non-derivative financial liabilities	**2.1**	0.1
Amounts falling due within one year:		
Financial liabilities		
Trade payables	**1.0**	1.2
Accruals	**20.5**	29.8
Other creditors	**0.3**	0.2
Non-derivative financial liabilities	**21.8**	31.2
Non-financial liabilities		
Deferred income	**11.3**	9.8
Other taxation and social security	**0.6**	0.8
	33.7	41.8

The average age of trade payables is 20 days (2014: 27 days), no amounts incur interest (2014: £nil).

Notes to the Financial Statements

Continued

17 Bank loans

17a Summary of borrowings

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

Borrowings at amortised cost	Notes	30 December 2015 £m	30 December 2014 £m
Secured			
Fixed and swapped bank loans	17d	**233.3**	233.3
Variable rate bank loans	17d	**146.7**	170.1
Total borrowings before costs		**380.0**	403.4
Unamortised issue costs		**(5.1)**	(6.6)
Total borrowings after costs		**374.9**	396.8
Analysis of total borrowings after costs			
Current		**–**	-
Non-current		**374.9**	396.8
Total borrowings after costs		**374.9**	396.8

The Group considers all of its borrowings to fall within 'Level 2', as defined in Note 1.

The Mall debt facility

The £380.0 million Mall loan comprises a fixed rate tranche of £233.3 million with interest fixed at 1.86% plus applicable margin and a floating rate tranche based on 3 month LIBOR of £146.7 million. The latter tranche has been hedged using interest rate caps with a weighted average strike rate of 2.65%. The £380.0 million loan was fully drawn down at both 30 December 2015 and 30 December 2014.

Group revolving credit facility

In November 2015 the Group completed a new core revolving credit facility (RCF) of £30 million to 30 May 2019 replacing the previous Group RCF. An arrangement fee of £0.3 million was paid on completion. Interest on the facility is charged at a margin of 3.0% per annum above LIBOR. A non-utilisation fee of 1.5% is payable. The facility was undrawn at 30 December 2015.

At 30 December 2014 £23.4 million was drawn on a facility limit of £35.2 million. The facility limit on the previous RCF was reduced to £20.0 million on 11 February 2015 after the funds received in respect of the sale of the Group's German joint venture were used to fully repay the amount drawn down at that date.

17b Maturity of borrowings

	Notes	30 December 2015 £m	30 December 2014 £m
From one to two years		**–**	23.4
From two to five years		**380.0**	380.0
Due after more than one year		**380.0**	403.4
Current		**–**	–
	17a	**380.0**	403.4

17 Bank loans continued

17c Undrawn committed facilities

	30 December 2015 £m	30 December 2014 £m
Expiring between one and two years	–	11.8
Expiring between two and five years	30.0	–

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

17d Interest rate and currency profile of borrowings

	Notes	30 December 2015 £m	30 December 2014 £m
Fixed and swapped rate borrowings			
Between 1% and 2%		233.3	233.3
	17a	233.3	233.3
Variable rate borrowings			
The Mall Fund	17a	146.7	146.7
Group revolving credit facility	17a	–	23.4
		380.0	403.4

Variable rate borrowings bear interest based on three month LIBOR.

18 Financial instruments and risk management

18a Overview

Capital risk management

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns while maximising the returns to shareholders through the optimisation of the debt and equity balance.

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

The Group is not subject to externally imposed capital requirements. The Board reviews the capital structure and cost of capital on an annual basis but does not set specific targets for gearing ratios. The risks associated with each class of capital are also considered as part of the risk reviews presented to the Audit Committee and the Board.

Gearing ratios

Statutory	Notes	30 December 2015 £m	30 December[1] 2014 £m
Debt before unamortised issue costs	17a	380.0	403.4
Cash and cash equivalents	15	(41.9)	(33.6)
Group net debt		338.1	369.8
Equity		503.2	419.0
Debt to equity ratio		76%	96%
Net debt to equity ratio		67%	88%

Notes to the Financial Statements

Continued

18 Financial instruments and risk management continued

18a Overview continued

See-through	Notes	30 December 2015 £m	30 December[1] 2014 £m
Debt before unamortised issue costs	18f	**399.0**	420.3
Cash and cash equivalents		**(43.3)**	(35.0)
See-through net debt[1]		**355.7**	385.3
Equity		**503.2**	419.0
Debt to equity ratio		**79%**	100%
Net debt to equity ratio		**71%**	92%
Properties at valuation			
Wholly owned	10b	**822.7**	744.7
Associates (Group share)	10b	**32.9**	30.2
Joint ventures[1] (Group share)	10b	**14.0**	-
Total Group Property at valuation		**869.6**	774.9
Debt to property value ratio		**46%**	54%
Net debt to property value ratio		**41%**	50%

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

Categories of financial assets/(liabilities)

		2015			2014		
	Notes	**Carrying value £m**	**Gain/(loss) to income £m**	**Gain to equity £m**	Carrying value £m	Gain/(loss) to income £m	Gain to equity £m
Financial assets							
Current receivables	13	**7.9**	**–**	**–**	8.1	–	–
Cash and cash equivalents	15	**49.9**	**–**	**–**	42.6	0.4	–
Loans and receivables		**57.8**	**–**	**–**	50.7	0.4	–
Foreign exchange forward contracts	13	**–**	**2.2**	**–**	2.2	0.5	1.7
Derivatives in effective hedges		**–**	**2.2**	**–**	2.2	0.5	1.7
Interest rate caps	13	**0.5**	**(0.8)**	**–**	1.3	(1.3)	–
Assets at fair value held for trading		**0.5**	**(0.8)**	**–**	1.3	(1.3)	–
Financial liabilities							
Current payables	16	**(21.8)**	**–**	**–**	(31.2)	–	–
Non-current payables	16	**(2.1)**	**–**	**–**	(0.1)	–	–
Non-current borrowings	17a	**(374.9)**	**(1.9)**	**–**	(396.8)	(8.8)	–
Liabilities at amortised cost		**(398.8)**	**(1.9)**	**–**	(428.1)	(8.8)	–
Interest rate swaps		**–**	**–**	**–**	–	(1.1)	–
Liabilities at fair value held for trading		**–**	**–**	**–**	–	(1.1)	–
Total financial (liabilities)/assets		**(340.5)**	**(0.5)**	**–**	(373.9)	(10.3)	1.7

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 significant accounting policies in Note 1.

18 Financial instruments and risk management continued

18a Overview continued

Financial risk management objectives

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

18b Interest rate risk

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

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

	Maturity date	Notional principal	Contract fixed rate	**30 December 2015 fair value**
Interest rate cap	30 May 2019	£116,666,667	2.75%	**£0.4m**
Interest rate cap	30 May 2019	£30,000,000	2.25%	**£0.1m**

Sensitivity analysis

The following table shows the Group's sensitivity to a 100bps increase or decrease in 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 100bps. The income statement impact includes the estimated effect of a 100bps decrease or increase in interest rates on the market values of interest rate derivatives.

	100bps increase in interest rates		**100bps decrease in interest rates**	
	Year to 30 December 2015 £m	Year to 30 December 2014 £m	**Year to 30 December 2015 £m**	Year to 30 December 2014 £m
Floating rate loans and cash — (loss)/gain	**(1.1)**	(1.3)	**1.1**	1.3
Interest rate derivatives — gain/(loss)	**0.6**	0.9	**(0.6)**	(0.9)
Impact on the income statement — (loss)/gain	**(0.5)**	(0.4)	**0.5**	0.4
Impact on equity — (loss)/gain	**(0.5)**	(0.4)	**0.5**	0.4

18c Credit risk

The Group's principal financial assets are 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 and trade and other receivables, which are principally amounts due from tenants. Credit risk arising from tenants is mitigated as the Group receives most rents in advance, monitors credit ratings for significant tenants and makes an allowance for doubtful receivables that represents the estimate of potential losses in respect of trade receivables. The Group's allowance for doubtful receivables disclosed in Note 13 to the financial statements is considered to represent the Group's best estimate of the exposure to credit risk associated to 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.

Notes to the Financial Statements

Continued

18 Financial instruments and risk management continued

18d Currency risk

Following the disposal of the German joint venture on 10 February 2015 the Group is exposed to an immaterial level of currency risk. While German joint venture investments and loans were reclassified as held for sale on 24 December 2014 the Group remained exposed to currency risk as at 30 December 2014 as the proceeds received on sale were denominated in Euros. The Group used a forward foreign exchange contract to hedge this. The contract was for €50.0 million at a fixed exchange rate of 1.2721 which hedged 94% of the Group's German investment until 27 February 2015.

18e Liquidity risk

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

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group's treasury department maintains a rolling eighteen month forecast of anticipated recurring and non-recurring cash flows under different scenarios. This is compared to expected cash balances and amounts available for drawdown on the Group's core revolving credit facility to ensure that any potential shortfalls in funding are identified and managed. The Group's primary means of managing liquidity risk is the core revolving credit facility, expiring in May 2019, which had £30.0 million fully available at 30 December 2015 as disclosed in Note 17c.

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

2015	Notes	**Effective interest rate %**	**Less than 1 year £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**	**Total £m**
Financial assets							
Current receivables	13		**7.9**	**–**	**–**	**–**	**7.9**
Cash and cash equivalents	15	**0.5%**	**49.9**	**–**	**–**	**–**	**49.9**
			57.8	**–**	**–**	**–**	**57.8**
Financial liabilities							
Borrowings – bank loans	17a	**3.5%**	**–**	**–**	**(374.9)**	**–**	**(374.9)**
Borrowings – other loans	16	**2.3%**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Current payables	16		**(21.8)**	**–**	**–**	**–**	**(21.8)**
Non-current payables	16		**–**	**(0.6)**	**–**	**–**	**(0.6)**
			(21.8)	**(0.6)**	**(376.4)**	**–**	**(398.8)**

2014	Notes	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets							
Current receivables	13		10.3	–	–	–	10.3
Cash and cash equivalents	15	0.4%	42.6	–	–	–	42.6
			52.9	–	–	–	52.9
Financial liabilities							
Borrowings – bank loans	17a	3.5%	–	(22.9)	(373.9)	–	(396.8)
Current payables	16		(31.2)	–	–	–	(31.2)
Non-current payables	16		–	–	–	(0.1)	(0.1)
			(31.2)	(22.9)	(373.9)	(0.1)	(428.1)

18 Financial instruments and risk management continued

18e Liquidity risk continued

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.

2015	**Less than 1 year £m**	**1-2 years £m**	**2-3 years £m**	**3-4 years £m**	**4-5 years £m**	**More than 5 years £m**	**Total £m**
Borrowings — fixed bank loans	**–**	**–**	**–**	**(230.2)**	**–**	**–**	**(230.2)**
Borrowings — other fixed loans	**–**	**–**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Borrowings — floating bank loans	**–**	**–**	**–**	**(144.7)**	**–**	**–**	**(144.7)**
Non-interest bearing	**(21.8)**	**(0.6)**	**–**	**–**	**–**	**–**	**(22.4)**
	(21.8)	**(0.6)**	**–**	**(374.9)**	**(1.5)**	**–**	**(398.8)**

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

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.

2015	**Less than 1 year £m**	**1-2 years £m**	**2-3 years £m**	**3-4 years £m**	**4-5 years £m**	**More than 5 years £m**	**Total £m**
Net settled							
Interest rate caps	**–**	**–**	**–**	**0.5**	**–**	**–**	**0.5**
	–	**–**	**–**	**0.5**	**–**	**–**	**0.5**

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

Notes to the Financial Statements

Continued

18 Financial instruments and risk management continued

18f Fair values of financial instruments

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

	Notes	Notional principal £m	**2015 Book value £m**	**2015 Fair value £m**	2014 Book value £m	2014 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	18a		**(380.0)**	**(384.6)**	(403.4)	(409.0)
Total on balance sheet borrowings			**(380.0)**	**(384.6)**	(403.4)	(409.0)
Group share of associate borrowings			**(16.8)**	**(16.8)**	(16.9)	(16.9)
Group share of joint venture borrowings			**(2.2)**	**(2.2)**	-	-
Total see-through borrowings	18a		**(399.0)**	**(403.6)**	(420.3)	(425.9)
Derivative assets/(liabilities) at fair value through income statement						
Interest rate caps	13	146.7	**0.5**	**0.5**	1.3	1.3
Foreign exchange forward contracts	13	-	**–**	**–**	2.2	2.2
Total on balance sheet derivatives			**0.5**	**0.5**	3.5	3.5
Group share of Sterling interest rate swaps in associates and joint ventures		16.8	**(0.4)**	**(0.4)**	(0.5)	(0.5)
Group share of Euro interest rate swaps in joint ventures		-	**–**	**–**	-	-
Total see through derivatives			**0.1**	**0.1**	3.0	3.0
Less foreign exchange forward contracts			**–**	**–**	(2.2)	(2.2)
Total see through interest rate derivatives			**0.1**	**0.1**	0.8	0.8

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

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

Fair value measurements recognised in the consolidated balance sheet

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

	Notes	**2015 Level 2 £m**	**2015 Total £m**
Financial assets			
Interest rate caps	13	**0.5**	**0.5**
Foreign exchange forward contracts	13	**–**	**-**
		0.5	**0.5**

	Notes	2014 Level 2 £m	2014 Total £m
Financial assets			
Interest rate caps	13	1.3	1.3
Foreign exchange forward contracts	13	2.2	2.2
		3.5	3.5

There were no transfers between Levels in the year.

19 Share capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2015 Number	2014 Number	**2015 £m**	2014 £m
Ordinary shares of 1p each				
At the start of the year	**700,752,626**	349,688,796	**7.0**	3.5
Issued in Capital Raising	**–**	351,063,830	**–**	3.5
At the end of the year	**700,752,626**	700,752,626	**7.0**	7.0
Deferred shares of 9p each				
At the start of the year	**–**	71,348,933	**–**	6.4
Cancelled during the year	**–**	(71,348,933)	**–**	(6.4)
At the end of the year	**–**	-	**–**	-
Total called-up share capital	**700,752,626**	700,752,626	**7.0**	7.0

Ordinary shares

The Company has one class of Ordinary shares which carry voting rights but no right to fixed income. As at 30 December 2015 the Company had 700,752,626 (2014: 700,752,626) Ordinary shares in issue. On 7 October 2015 the Company commenced a Secondary Listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 December 2015 74,329,337 of the Company's shares were held on the JSE register.

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

— 70,253,131 shares through a firm placing for consideration of £33.0 million; and

— 280,810,699 shares through a placing and open offer for consideration of £132.0 million.

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

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

Deferred shares

During 2014 the Company bought back and cancelled the 71,348,933 Deferred shares for consideration of 1p per holding. The difference between the nominal value and the amount paid of £6.4 million was transferred to retained earnings. The Deferred shares carried neither voting nor dividend rights.

20 Share-based payments

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

Analysis of income statement charge

	Year to 30 December 2015 £m	Year to 30 December 2014 £m
2008 LTIP	**0.6**	0.5
Equity-settled share-based payments	**0.6**	0.5

Notes to the Financial Statements

Continued

20 Share-based payments continued

Movements during the year

	Number of Options			Weighted average exercise price pence
	SAYE Invitation II	2008 LTIP	Total	
Outstanding at 30 December 2013	323,496	7,789,101	**8,112,597**	1.45
Granted during the year	–	5,375,458	**5,375,458**	–
Adjustment to previously issued awards[1]	2,991	155,775	**158,766**	0.68
Exercised during the year	(248,618)	–	**(248,618)**	36.31
Forfeited during the year	(20,883)	–	**(20,883)**	36.31
Outstanding at 30 December 2014	56,986	13,320,334	**13,377,320**	0.15
Granted during the year	–	5,717,496	**5,717,496**	–
Exercised during the year	(52,031)	–	**(52,031)**	36.31
Forfeited during the year	(4,955)	(212,604)	**(217,559)**	0.83
Outstanding at 30 December 2015	–	18,825,226	**18,825,226**	–
Exercisable at the end of the year	–	–	**–**	–

1. Adjustment made in line with the respective scheme rules to offset the dilutive impact of the £165.0 million Capital Raising.

SAYE

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

LTIP

On 6 March 2015 a new award was made under the 2008 LTIP. The assumptions of which are shown below alongside those for the awards made on 16 August 2013 and 14 August 2014. Further details are disclosed in the Directors' Remuneration Report.

Assumptions

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

	SAYE scheme Invitation II		2008 LTIP	
		August 2013 issue	August 2014 issue	March 2015 issue
Share price at grant date	34.0p	39.0p	46.8p	57.8p
Exercise price	36.31p	0.0p	0.0p	0.0p
Expected volatility	56%	35%	36%	34%
Expected life including holding period (years)	3.00	4.00	4.50	4.50
Average life remaining including holding period (years)	–	1.63	3.12	3.68
Risk free rate	3.51%	0.86%	0.96%	0.96%
Expected dividend yield	14.7%	2.44%	4.53%	5.00%
Lapse rate	2%	0%	0%	0%
Fair value of award at grant date per share	5p	15p	13p	23p

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

21 Own shares held

	Own shares held £m
At the start and end of the year	**0.6**

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2015, the Capital & Regional plc 2002 Employee Share Trust (the "ESOT") held 1,018,552 (2014: 1,070,583) 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 2015 was £0.6 million (2014: £0.6 million).

22 Reconciliation of net cash from operations

	Notes	**30 December 2015 £m**	30 December 2014 £m
Profit for the year		**100.0**	75.2
Adjusted for:			
Profit on disposal of associates and joint ventures		**(2.4)**	(4.8)
Income tax credit – continuing operations	8a	**–**	(2.5)
Finance income – continuing and discontinued operations		**(0.7)**	(1.4)
Finance expense – continuing and discontinued operations		**19.9**	10.2
Acquisition of Mall units		**–**	(8.1)
Profit on disposal of wholly owned properties		**(0.1)**	-
Profit on revaluation of wholly owned properties		**(68.0)**	(36.9)
Share of profit in associates and joint ventures	14a	**(7.8)**	(10.2)
Share of profit in associates and joint ventures – discontinued operations	26	**–**	(4.6)
Depreciation of other fixed assets	11	**0.2**	0.3
(Increase)/decrease in receivables		**(0.8)**	5.8
Decrease in payables		**(11.0)**	(1.2)
Non-cash movement relating to share-based payments		**0.6**	0.7
Net cash from operations		**29.9**	22.5

23 Net assets per share

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

		30 December 2015			30 December 2014
	Notes	**Net assets £m**	**Number of shares (m)**	**Net asserts per share (£)**	Net assets per share (£)
Basic net assets		**503.2**	**700.8**	**0.72**	0.60
Own shares held	21	**–**	**(1.0)**		
Dilutive contingently issuable shares and share options		**–**	**12.6**		
Fair value of fixed rate loans (net of tax)		**(4.6)**			
EPRA triple net assets		**498.6**	**712.4**	**0.70**	0.59
Exclude fair value of fixed rate loans (net of tax)		**4.6**			
Exclude fair value of see-through interest rate derivatives	18f	**(0.1)**			
Exclude deferred tax on unrealised gains and capital allowances		**–**			
EPRA net assets		**503.1**	**712.4**	**0.71**	0.59

24 Return on equity

	30 December 2015 £m	30 December 2014 £m
Total comprehensive income attributable to equity shareholders	**98.4**	74.1
Opening equity shareholders' funds plus time weighted additions	**419.0**	264.0
Return on equity	**23.5%**	28.1%

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

On 20 June 2014 the Group announced it had entered into conditional agreements to acquire 62.56% of Units in the Mall Fund for an initial gross cash consideration of £213.1 million ("the Acquisition") to be funded by available cash and debt funding and an associated Firm Placing and Placing and Open Offer (the "Capital Raise") to raise gross proceeds of £165.0 million by the issue of 351,063,830 shares at 47 pence per New Ordinary Share. The Group recovered £0.7 million of £7.4 million that was paid into escrow and therefore the final consideration was £212.4 million. Shareholder approval was obtained at the General Meeting held on 9 July 2014 and the shares were admitted to listing and the Acquisition completed on 14 July 2014 at which point the Group owned 91.82% of The Mall Fund.

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

On 1 December 2014 Capital & Regional (Europe Holding 5) Limited, a 100% subsidiary of Capital & Regional plc, acquired the units held by the sole remaining minority unit holder for cash consideration of £2.1 million and hence the Group owned 100% of The Mall Fund from that date.

The following table summarises the amounts credited or charged to the income statement in 2014 in respect of the acquisitions of Mall Units, the capital raise and the subsequent restructuring of The Mall Fund.

	£m
Negative Goodwill credited on acquisition of 62.54% of Mall Units	11.5
Transaction costs charged to income statement	(3.1)
Restructuring of The Mall Fund	(0.3)
Total	8.1

Further detail on the calculation of the £11.5 million of Negative Goodwill can be found in Note 25 of the financial statements for the year ending 30 December 2014.

26 Discontinued Operations

German joint venture

On 10 February 2015, the Group completed the sale of its 50:50 German joint venture with a real estate fund managed by Ares Management, LP to clients and funds under management of Rockspring Property Investment Managers. Under the terms of the transaction the Group will retain for approximately five years a 5.1% minority stake in each of the five German portfolios.

The total net proceeds received were €54.8 million, this equated to £42.3 million (after all costs and including the benefit of the Group's Forward Contract which hedged €50.0 million at 1.2721) and resulted in an uplift to the year-end NAV of £0.8 million. The total profit on disposal was £2.4 million reflecting this and £1.6 million of realised foreign currency gain reclassified from reserves.

On completion, and included within the proceeds, the Group entered into a long-term loan payable of €3.5 million repayable after five years. After completion a distribution of €1.5 million was made in respect of the retained minority stakes, this was used to reduce the outstanding amount of the loan to €2.0 million. A further distribution was received in June 2015 of €0.1 million, this was not offset against the loan. The carrying value of the retained minority stake, treated as a fixed asset investment, was €2.2 million at 30 December 2015 (£1.6 million at 30 December 2015 exchange rate). The carrying value of the loan payable at 30 December 2015 was a liability of €2.0 million (£1.5 million at 30 December 2015 exchange rate).

26 Discontinued Operations continued

The Group had exchanged conditional contracts for sale as at 24 December 2014 and hence from that date had reclassified its investment as an asset held for sale. The carrying value at 30 December 2014 was £39.5 million. In addition £0.8 million of related transaction costs were recognised as a liability at that same date. Given Germany was previously treated as a separate operating segment its results for the year ended 30 December 2014 were classified as discontinued operations.

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

	Notes	**Year ended 30 December 2015 £m**	Year ended 30 December 2014 £m
Revenue		**–**	-
Cost of sales		**–**	0.2
Administrative costs		**–**	(0.3)
Finance income		**–**	1.0
Share of Joint Ventures and Associates		**–**	4.6
Share of profit after attributable tax		**–**	5.5
Profit on disposal of discontinued operations		**2.4**	-
Profit from discontinued operations	2a	**2.4**	5.5

During the year, discontinued operations contributed £nil (2014: £5.2 million) in respect of the Group's net operating cash flows, contributed £42.3 million (2014: £8.8 million) in respect of investing activities (disposal proceeds) and received £nil (2014: paid £0.9 million) in respect of financing activities.

27 Lease arrangements

The Group as lessee – operating leases

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

	2015 £m	2014 £m
Lease payments		
Within one year	**(1.9)**	(1.9)
Between one and five years	**(7.6)**	(7.4)
After five years	**(14.0)**	(16.1)
	(23.5)	(25.4)

Operating lease payments are denominated in Sterling and have an average remaining lease length of 11 years (2014: 12 years) and rentals are fixed for an average of 3 years (2014: 1 year). During the year there were no contingent rents (2014: £nil) and the Group incurred lease payments recognised as an expense of £1.8 million (2014: £1.6 million).

The Group as lessee – finance leases

At the balance sheet date, the Group's future minimum lease payments under finance leases were as follows:

	2015 £m	2014 £m
Lease payments		
Within one year	**3.6**	3.6
Between one and five years	**14.4**	14.4
After five years	**394.8**	398.4
	412.8	416.4
Future finance charges on finance leases	**(347.4)**	(351.0)
Present value of finance lease liabilities	**65.4**	65.4

Finance lease liabilities are in respect of head leases on investment property. These leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above.

Notes to the Financial Statements

Continued

27 Lease arrangements continued

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of 7 years (2014: 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 2015 Total £m**	30 December 2014 Total £m
The Mall	7.3	42.3	114.4	63.5	32.1	22.1	99.6	**374.0**	390.2
Wholly owned		42.3	114.4	63.5	32.1	22.1	99.6	**374.0**	390.2
Redditch	7.0	8.9	24.3	12.0	5.6	2.6	16.8	**70.2**	71.9
Total associates		8.9	24.3	12.0	5.6	2.6	16.8	**70.2**	71.9
Ipswich	10.7	0.6	2.5	2.6	1.0	1.0	0.1	**7.8**	–
Total joint ventures		0.6	2.5	2.6	1.0	1.0	0.1	**7.8**	–
Total		51.8	141.2	78.1	38.7	25.7	116.5	**452.0**	462.1

28 Capital commitments

At 30 December 2015, the Group's share of the capital commitments of its associates, joint ventures and wholly owned properties was £13.9 million (2014: £3.2 million) relating to capital expenditure projects. This comprised £6.1 million (2014: £3.1 million) relating to The Mall and £7.8 million (2014: £0.1 million) relating to other assets.

29 Contingent liabilities

German joint venture

Under the terms of the German joint venture disposal, Capital & Regional plc gave certain customary warranties as to their title to the relevant shares and certain warranties in relation to the German joint venture generally. In addition Capital & Regional plc have provided an indemnity to the purchaser for potential German Real Estate Transfer Tax (RETT) liabilities if they arise out of actions undertaken by the Group post completion. All such actions covered by the indemnity are within the Group's control, the maximum RETT liability based on the property valuation at the time of sale was approximately €20 million.

Morrison Merlin

Under the terms of the Morrison Merlin Limited disposal, Capital & Regional plc gave certain customary warranties as to their title to the relevant shares and certain warranties in relation to Morrison Merlin Limited generally. The maximum liability of Capital & Regional plc in respect of the warranties is £7 million. Any claims in respect of the warranties must be brought within 24 months of completion, being 31 October 2013, or 30 months in respect of the tax warranties.

X-Leisure

Under the terms of the X-Leisure disposal agreements, the Group 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. Any claims in respect of the warranties must be brought within 21 months of completion, being 16 January 2013, or five years in respect of the tax warranties.

29 Contingent liabilities continued

The Junction Fund

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

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

30 Events after the balance sheet date

Acquisition of The Marlowes Centre, Hemel Hempstead

On 12 January 2016 the Group exchanged contracts with Standard Life Investments for the acquisition of The Marlowes Shopping Centre in Hemel Hempstead, for £35.5 million reflecting an initial yield of 7.0%. The acquisition completed on 5 February 2016. The acquisition was part funded by new debt with the Royal Bank of Scotland of £17.8 million, secured on the asset, with the remainder financed through available Group cash resources.

On 26 February 2016 and 17 March 2016 respectively the Group completed the acquisition of Edmonds Parade and Fareham House in Hemel Hempstead, both being adjacent properties to The Marlowes Shopping Centre. The total purchase price of the two acquisitions was £18.3 million reflecting an initial yield of 7.0% on the retail space. The acquisition was part funded through an extension of the new debt with the Royal Bank of Scotland of a further £9.1 million with the remainder funded by Group cash and a small draw-down on the Group's central facility.

Change in Stamp Duty Land Tax (SDLT)

In the Budget on 16 March 2016 the government announced a 1% increase in the highest rate of SDLT on commercial property from 4% to 5% with effect from 17 March 2016. As property valuations are calculated net of purchasers' costs (including SDLT) this will have an adverse impact on the property valuation of our portfolio and consequently our net assets. If this change had been applicable as at 30 December 2015 we estimate that our net assets would be £8.2 million lower than the value stated within these financial statements.

31 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. This includes transactions between the Company and The Mall Limited Partnership from 14 July 2014 onwards, being the date it became a subsidiary. Transactions between the Group and its associates and joint ventures, all of which occurred at normal market rates, are disclosed below.

	Interest received		Distributions received	
	Year to 30 December 2015 £m	Year to 30 December 2014 £m	**Year to 30 December 2015 £m**	Year to 30 December 2014 £m
Associates				
The Mall Limited Partnership (until 14 July 2014)	–	-	–	1.3
	–	-	–	1.3
Joint ventures				
German joint venture companies	–	0.5	–	5.3
	–	0.5	–	5.3

Notes to the Financial Statements

Continued

31 Related party transactions continued

	Fee income and rent income		Net amounts receivable from	
	Year to 30 December 2015 £m	Year to 30 December 2014 £m	**As at 30 December 2015 £m**	As at 30 December 2014 £m
Associates				
The Mall Limited Partnership (until 14 July 2014)	**n/a**	2.1	**n/a**	n/a
Kingfisher Limited Partnership (Redditch)	**0.7**	0.7	**0.2**	0.1
	0.7	2.8	**0.2**	0.1
Joint ventures				
German joint venture companies[1]	**n/a**	–	**n/a**	14.2
Waterside Lincoln Limited Partnership	**n/a**	1.0	**n/a**	n/a
Buttermarket Ipswich Limited	**0.1**	n/a	**–**	n/a
	0.1	1.0	**–**	14.2

1. Reclassified to assets held for sale from 24 December 2014.

Amounts receivable from associates are unsecured and do not incur interest and they are payable on demand and settled in cash. Amounts receivable from the German joint venture incurred interest at commercial rates which was payable on demand. The balances were unsecured and settled in cash. Amounts receivable from the Waterside Lincoln Limited Partnership, prior to its disposal, were interest free and repayable on demand.

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

Acquisition of Units in the Mall from Karoo Investment Fund (Karoo) and subscription of shares in Capital & Regional plc in 2014

Karoo was deemed to be a related party on account of Louis Norval and Neno Haasbroek's respective interests. Accordingly, the Company's acquisition of Mall Units from Karoo and Karoo's subscriptions for 73,540,911 shares in the Company, which both completed on 14 July 2014, were related party transactions for which shareholder approval was obtained at the General Meeting on 9 July 2014.

During 2015 a payment of £0.5 million was made to Karoo representing their pro-rata share of the Mall Fund income for the period from 1 April 2014 to 13 July 2014. A further £0.5 million was also released to Karoo from escrow as the final part of their consideration for the acquisition of their Mall Units. Both amounts were recognised as liabilities in the financial statements at 30 December 2014.

Property Management incentive arrangements

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

The Mall Fund

A performance fee liability was triggered in September 2014 on the redemption offer being made to all remaining minorities. £5.9 million of the total of £11.8 million payable was due to CRPM and eliminated on consolidation.

Kingfisher Limited Partnership

CRPM will earn an additional equity return if distributions result in a geared return in excess of a 15% IRR. The Group will bear 20.00% of the cost by virtue of its investment in the Partnership.

31 Related party transactions continued

Waterside Lincoln Limited Partnership

CRPM earned sale and performance fees of £0.9 million on the sale of the Waterside Lincoln Limited Partnership on 12 November 2014. The Group bore 50.00% of the cost by virtue of its investment in the Partnership.

Broadwalk Shopping Centre, Edgware

With respect to the Broadwalk Shopping Centre, Edgware, CRPM will earn a promote fee if development profits relating to the centre exceed £10 million.

Transactions with key personnel

In accordance with IAS 24, key personnel are considered to be the executive and non-executive directors as they have the authority and responsibility for planning, directing and controlling the activities of the Group. Their remuneration in the income statement is as follows:

	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Short term employment benefits	**2.5**	2.5
Post-employment benefits	**0.2**	0.2
Share-based payments	**0.6**	0.3
	3.3	3.0

In both years the highest paid director was the Chief Executive whose remuneration is disclosed in the Directors' Remuneration Report on page 63.

32 Dividends

	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Second interim dividend per share paid for year ended 30 December 2013 of 0.40p	**–**	1.4
Interim dividend per share paid for year ended 30 December 2014 of 0.35p	**–**	2.4
Final dividend per share paid for year ended 30 December 2014 of 0.60p	**4.2**	-
Interim dividend per share paid for year ended 30 December 2015 of 1.50p[1]	**10.5**	-
Amounts recognised as distributions to equity holders in the year	**14.7**	3.8
Proposed final dividend per share for year ended 30 December 2015 of 1.62p[2]	**11.3**	-

1. Withholding Tax of £1.5 million relating to this dividend was paid in January 2016.
2. In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been included as a liability in these financial statements.

Company Balance Sheet

As at 30 December 2015
Registered number: 01399411
Prepared in accordance with FRS 101

	Notes	2015 £m	2014 £m
Non-current assets			
Investments	C	**339.8**	333.5
Current assets			
Receivables – amounts falling due within one year	D	**122.5**	126.5
Receivables – amounts falling due after more than one year	D	**–**	13.6
Total current assets		**122.5**	140.1
Current liabilities			
Trade and other payables	E	**(30.6)**	(73.6)
Total current liabilities		**(30.6)**	(73.6)
Net current assets		**91.9**	66.5
Net assets		**431.7**	400.0
Equity			
Share capital		**7.0**	7.0
Share premium		**157.2**	157.2
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Retained earnings		**202.8**	171.1
Shareholders' funds		**431.7**	400.0

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 31 March 2016 by:

Charles Staveley
Group Finance Director

Company Statement of Changes in Equity

For the year to 30 December 2015

	Non-distributable				Distributable		
	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Retained earnings £m	Merger reserve £m	**Total £m**
Balance at 30 December 2013	**9.9**	**-**	**4.4**	**2.6**	**110.4**	**60.3**	**187.6**
Retained profit for the year	-	-	-	0.3	55.2	-	**55.5**
Total comprehensive income for the year	-	-	-	0.3	55.2	-	**55.5**
New shares issued	3.5	157.2	-	-	-	-	**160.7**
Repurchase and cancellation of deferred shares	(6.4)	-	-	-	6.4	-	**-**
Dividends paid	-	-	-	-	(3.8)	-	**(3.8)**
Balance at 30 December 2014	**7.0**	**157.2**	**4.4**	**2.9**	**168.2**	**60.3**	**400.0**
Retained profit for the year	-	-	-	1.4	45.0	-	**46.4**
Total comprehensive income for the year	-	-	-	1.4	45.0	-	**46.4**
Dividends paid	-	-	-	-	(14.7)	-	**(14.7)**
Transfer on realisation of foreign currency gain	-	-	-	(4.3)	4.3	-	**-**
Balance at 30 December 2015	**7.0**	**157.2**	**4.4**	**-**	**202.8**	**60.3**	**431.7**

The Company's authorised, issued and fully paid-up share capital is described in Note 19 to the Group financial statements. The Company's dividends are as described in Note 32 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 to 30 December 2015

A Accounting policies

The Company's separate financial statements for the year ended 30 December 2015 are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. There have been no changes to presentation as a result of applying FRS 101.

The Company meets the definition of a qualifying entity under Financial Reporting Standard ("FRS") 100 Application of Financial Reporting Requirements as issued by the Financial Reporting Council ("FRS 100"). Accordingly, for this financial year ending 30 December 2015, the Company has adopted Financial Reporting Standard 101, as published by the Financial Reporting Council. This has not led to any significant changes in accounting presentation or disclosure. The main accounting policies have been applied consistently in the current year and the preceding year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The Company has early-adopted the July 2015 amendments to FRS 101 in relation to the exemption from presenting a statement of financial position and related notes as at 31 December 2014, the date of transition to FRS 101.

The Company's financial statements are presented in Pounds Sterling, generally rounded to the nearest million.

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

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

The Company's related party transactions are described in Note 31 to the Group financial statements. Except for the directors, the Company had no direct employees during the year (2014: none). Information on the directors' emoluments, share options, long-term incentive schemes and pension contributions is shown in the Directors' Remuneration Report. Further disclosures regarding the nature of the share-based payment schemes operated by the Group are included in Note 20 to the Group's financial statements.

B Profit for the year

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders was £46.4 million (2014: £55.5 million).

The fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in Note 6 to the Group financial statements.

C Fixed asset investments

	Subsidiaries £m	Joint ventures £m	**Total £m**
At the start of the year	332.5	1.0	**333.5**
Investment	–	–	**-**
Reversal of impairment of investments	6.3	–	**6.3**
At the end of the year	338.8	1.0	**339.8**

Investments are subject to an impairment review using discount rates between the range of 7.1% and 9.5%. The reversal of impairment during the year primarily reflects an increase in underlying property valuations.

Note F shows the subsidiaries, associates and joint ventures held by the Group and the Company.

D Receivables

Amounts falling due within one year	2015 £m	2014 £m
Amounts owed by subsidiaries	**122.0**	125.3
Other receivables	**0.5**	1.2
	122.5	126.5

Amounts falling due within one year	2015 £m	2014 £m
Amounts owed by joint ventures	**–**	13.6
	–	13.6

E Trade and other payables

Amounts falling due within one year	2015 £m	2014 £m
Amounts owed to subsidiaries	**27.4**	72.9
Accruals and deferred income	**3.2**	0.7
	30.6	73.6

F Subsidiaries

	Nature of business	Country of incorporation	Share of voting rights
Subsidiaries			
Alhambra Barnsley Limited	Dormant	Jersey	100%
Alhambra One Limited	Dormant	Great Britain	100%
Alhambra Two Limited	Dormant	Great Britain	100%
Ashley Centre One Limited	Dormant	Great Britain	100%
Ashley Centre Two Limited	Dormant	Great Britain	100%
Ashley Epsom Limited	Dormant	Jersey	100%
Capital & Regional (Jersey) Limited	Property investment	Jersey	100%
Capital & Regional (Mall GP) Limited	Property investment	Great Britain	100%
Capital & Regional (Projects) Limited	Property investment	Great Britain	100%
Capital & Regional Abertawe Limited	Dormant	Great Britain	100%
Capital & Regional Capital Partner Limited	Property investment	Jersey	100%
Capital & Regional Earnings Limited	Property investment	Great Britain	100%
Capital & Regional Estates Limited	Dormant	Great Britain	100%
Capital & Regional Hemel Hempstead (Jersey) Limited	Property investment	Jersey	100%
Capital & Regional Holdings Limited	Property investment	Great Britain	100%
Capital & Regional Income Limited	Property investment	Great Britain	100%
Capital & Regional Property Management Limited	Property management	Great Britain	100%
Capital & Regional Units LLP	Property investment	Great Britain	100%
Green Sinfield Limited	Dormant	Great Britain	100%
Howgate Freehold Limited	Dormant	Jersey	100%
Howgate Leasehold Limited	Dormant	Jersey	100%
Howgate One Limited	Dormant	Great Britain	100%
Howgate Two Limited	Dormant	Great Britain	100%
Lancaster Court Hove Limited	Dormant	Great Britain	100%
Liberty One Limited	Dormant	Great Britain	100%
Liberty Romford Limited	Dormant	Jersey	100%
Liberty Two Limited	Dormant	Great Britain	100%
Lower Grosvenor Place London One Limited	Dormant	Great Britain	100%
Mall Developments Limited	Dormant	Great Britain	100%
Mall Messages Limited	Dormant	Great Britain	100%
Mall Nominee One Limited	Dormant	Great Britain	100%

Notes to the Company Financial Statements

Continued

F Subsidiaries continued

	Nature of business	Country of incorporation	Share of voting rights
Mall Nominee Two Limited	Dormant	Great Britain	100%
Mall Shopping Limited	Dormant	Great Britain	100%
Mall Space Limited	Dormant	Great Britain	100%
Mall Ventures Limited	Dormant	Great Britain	100%
R Green (Bedford) Limited	Dormant	Great Britain	100%
R Green (Brighton) Limited	Dormant	Great Britain	100%
R Green Properties (Holdings)	Dormant	Great Britain	100%
Selborne One Limited	Dormant	Great Britain	100%
Selborne Two Limited	Dormant	Great Britain	100%
Selborne Walthamstow Limited	Dormant	Jersey	100%
Snozone Holdings Limited	Operator of indoor ski slopes	Great Britain	100%
Snozone Limited	Operator of indoor ski slopes	Great Britain	100%
The Main Square Camberley Unit Trust	Property investment	Jersey	100%
The Mall (General Partner) Limited	Property investment	Great Britain	100%
The Mall Company Limited	Dormant	Great Britain	100%
The Mall Facilities Management Limited	Dormant	Great Britain	100%
The Mall Limited Partnership	Property investment	Great Britain	100%
The Mall People Management Limited	Dormant	Great Britain	100%
The Mall REIT Limited	Dormant	Great Britain	100%
The Mall Unit Trust	Property investment	Jersey	100%
Trinity Aberdeen Limited	Dormant	Jersey	100%
Trinity One Limited	Dormant	Great Britain	100%
Trinity Two Limited	Dormant	Great Britain	100%
Wood Green London Limited	Dormant	Jersey	100%
Wood Green One Limited	Dormant	Great Britain	100%
Wood Green Two Limited	Dormant	Great Britain	100%
Xscape Properties Limited	Dormant	Great Britain	100%
Principal joint venture entities			
Buttermarket Ipswich Limited	Property investment	Jersey	50%
The Auchinlea Partnership (dissolved January 2016)	Property investment	Great Britain	50%
Principal associate entities			
Euro B-Note Holding Limited	Finance	Jersey	49.90%
Kingfisher Limited Partnership	Property investment	Great Britain	20%
Kingfisher Topco Sarl	Property investment	Luxembourg	20%
Titan (Germany) Sarl	Finance	Luxembourg	49.90%

The shares of voting rights are equivalent to the percentages of ordinary shares or units held directly or indirectly by the Group.

Five Year Review unaudited

	2015 £m	2014 £m	2013[1] £m	2012[1] £m	2011 £m
Balance sheet					
Property assets	**870.0**	790.8	–	78.4	80.0
Other non-current assets	**18.1**	21.3	23.5	24.4	34.3
Intangible assets	**–**	–	–	–	1.8
Investment in joint ventures	**11.7**	–	32.3	25.7	27.2
Investment in associates	**15.9**	13.6	112.1	80.7	120.2
Cash at bank	**49.9**	42.6	11.1	5.3	20.0
Assets classified as held for sale	**–**	39.5	8.5	32.2	–
Other net current (liabilities)/assets	**(20.0)**	(26.5)	2.2	(7.2)	(13.0)
Bank loans greater than one year	**(374.9)**	(396.8)	–	(58.3)	(61.6)
Other non-current liabilities	**(67.5)**	(65.5)	(1.0)	(1.6)	(12.9)
Net assets	**503.2**	419.0	188.7	179.6	196.0
Financed by					
Called-up share capital	**7.0**	7.0	9.9	9.9	9.9
Share premium account	**157.2**	157.2	–	–	–
Other reserves	**64.1**	65.3	66.3	75.2	70.4
Retained earnings	**274.9**	189.5	112.5	94.5	115.7
Capital employed	**503.2**	419.0	188.7	179.6	196.0
Return on equity					
Return on equity (%)	**23.5%**	28.1%	5.1%	(8.5)%	11.9%
Increase/(decrease) in NAV per share + dividend (%)	**23.2%**	12.1%	5.8%	(8.4)%	11.8%
Total shareholder return	**29.8%**	24.7%	53.9%	(9.5)%	(3.8)%
Year end share price (pence)	**66p**	53p	44p	29p	32p
Total return					
Total comprehensive income/(expense)	**98.4**	74.1	9.2	(16.6)	20.7
Net assets per share (pence)					
Basic net assets per share	**72p**	60p	54p	51p	56p
EPRA triple net assets per share	**70p**	59p	54p	51p	56p
EPRA net assets per share	**71p**	59p	56p	55p	63p
Gearing (%)	**76%**	96%	–	33%	34%
Gearing (%) on a see through basis	**79%**	100%	135%	179%	254%
Income statement[1]					
Group revenue	**80.7**	46.6	17.6	22.0	28.9
Gross profit	**51.6**	28.4	9.6	13.1	17.2
Profit/(loss) on ordinary activities before financing	**116.8**	77.0	7.4	(13.3)	16.2
Net interest (payable)/receivable	**(19.2)**	(9.8)	(0.1)	0.6	(3.4)
Profit/(loss) before tax	**97.6**	67.2	7.3	(12.7)	12.8
Tax credit/(charge)	**–**	2.5	0.2	0.9	(2.0)
Profit/(loss) after tax	**97.6**	69.7	7.5	(11.8)	10.8
Operating Profit	**24.0**	19.3	13.0	16.3	15.0
Interest cover (×)	**2.4**	4.4	3.9	3.7	5.5
Earnings per share (pence)					
Basic[2]	**14p**	15p	3p	(5)p	6p
Diluted[2]	**14p**	15p	3p	(5)p	6p
EPRA[2]	**3p**	3p	2p	1p	5p
Dividends per share	**3.12p**	0.95p	0.65p	–	–

1. 2013 and 2012 results have been restated from those originally presented in those respective years to separate discontinued operations.
2. Continuing and discontinued operations.

EPRA Performance Measures unaudited

As at 30 December 2015

	2015	2014
EPRA earnings (£m)[1]	**23.6**	17.9
EPRA earnings per share[1]	**3.3p**	3.5p
EPRA net assets (£m)	**503.1**	418.1
EPRA net assets per share	**71p**	59p
EPRA triple net assets (£m)	**498.6**	414.5
EPRA triple net assets per share	**70p**	59p
EPRA vacancy rate (UK portfolio only)[2]	**2.8%**	3.6%

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

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

	2015[1] £m	2014 £m
Investment property – wholly owned	**822.7**	744.7
Investment property – share of joint ventures and associates	**32.9**	30.2
Less developments	**–**	–
Completed property portfolio	**855.6**	774.9
Allowance for capital costs	**23.8**	27.7
Allowance for estimated purchasers' costs	**49.5**	44.8
Grossed up completed property portfolio valuation	**928.9**	847.4
Annualised cash passing rental income	**60.3**	58.9
Property outgoings	**(10.8)**	(10.2)
Annualised net rents	**49.5**	48.7
Add: notional rent expiration of rent free periods or other lease incentives	**3.1**	3.1
Topped up annualised rent	**52.6**	51.8
EPRA net initial yield	**5.3%**	5.7%
EPRA topped-up net initial yield	**5.7%**	6.1%

1. Excludes Buttermarket Centre, Ipswich.

EPRA Cost ratios

	2015 £m	2014[1] £m
Cost of sales	**29.1**	18.2
Administrative costs	**10.8**	11.0
Service charge	**(11.9)**	(5.4)
Management fees	**(1.0)**	(4.8)
Snozone costs	**(8.9)**	(8.7)
Share of joint venture & associate expenses	**1.1**	6.0
EPRA costs (including direct vacancy costs)	**19.2**	16.3
Direct vacancy costs	**(4.0)**	(2.3)
EPRA costs (excluding direct vacancy costs)	**15.2**	14.0
Gross rental income	**57.5**	26.5
Less ground rent costs	**(3.1)**	(1.3)
Share of joint venture & associate gross rental income less ground rent costs	**3.1**	22.4
Gross rental income	**57.5**	47.6
EPRA cost ratio (including direct vacancy costs)	**33.4%**	34.2%
EPRA cost ratio (including excluding vacancy costs)	**26.4%**	29.4%

1. For 2014 The Mall was an Associate until 14 July 2014 and therefore the figures represent 29.26% of The Mall results until that point and 100% thereafter.

Covenant Information unaudited

Based on data as at 30 December 2015

	See through borrowings £m	Covenant	30 December 2015	Future changes
Core revolving credit facility (100%)				
Net Assets	–	No less than £350m	£503.2m	
Gearing		No greater than 1.5:1	0.71:1	
Historic interest cover		No less than 200%	363%	
The Mall (100%)				
Loan to value	380.0	No greater than 75%	46%[1]	
Projected interest cover		No less than 125%	255%	
Redditch (20%)				
Loan to market value	16.8	No greater than 69%	51%[1]	Reducing to 65% from 1 May 2016
Projected interest cover		No less than 200%	241%	
Historic interest cover		No less than 200%	237%	
Ipswich (50%)				
Loan to cost	2.2	No greater than 65%	25%	
Loan to gross development value		No greater than 60%	8%	
	399.0			

1. Calculated as specified in loan agreement based on 30 December 2015 valuation. Actual bank covenant based on bank valuation updated annually.

Property Information unaudited

At 30 December 2015

The Mall properties

Property	Description	Size (sq feet)	Car park spaces	Principal occupiers	Number of lettable units
Valued at £125m plus					
The Mall, Blackburn	Leasehold partially covered shopping centre on three floors	600,000	1,304	Primark, Debenhams, H&M, Next	128
The Mall, Luton	Leasehold covered shopping centre on two floors, offices extending to over 65,000 sq ft	900,000	1,706	Debenhams, Primark, H&M, M&S, TK Maxx	158
The Mall, Wood Green	Freehold, partially open shopping centre, on two floors	540,000	1,500	Primark, Wilko, H&M, Boots, TK Maxx, New Look, Next	101
Valued at £70m to £125m					
The Mall, Camberley	Part leasehold covered shopping centre on one floor	390,000	1,040	House of Fraser, Boots, Primark, TK Maxx	152
The Mall, Maidstone	Freehold covered shopping centre on three floors with offices extending to 40,000 sq ft	500,000	1,050	Boots, New Look, Wilko, Next,	103
The Mall, Walthamstow	Leasehold covered shopping centre on two floors	260,000	850	TK Maxx, Sports Direct, Asda, Boots, New Look, River Island, Top Shop	64

Other properties

Property	Description	Size (sq feet)	Car park spaces	Principal occupiers	Number of lettable units
Valued at £125m plus					
Kingfisher Shopping Centre, Redditch (20%)	Freehold covered shopping centre on two principal trading levels	900,000	2,639	Debenhams, M&S, Primark, H&M, Next, Wilko, New Look	172
Valued at below £50m					
Buttermarket Shopping Centre, Ipswich (50%)	Freehold covered shopping centre	235,000	420	TK Maxx, New Look, Boots	23

Property Information unaudited

Continued

Wholly owned assets (The Mall) portfolio information *(Unaudited)*

At 30 December 2015

Physical data	
Number of properties	6
Number of lettable units	706
Size (sq feet – million)	3.2
Valuation data	
Properties at independent valuation (£m)	822.7
Adjustments for head leases and tenant incentives (£m)	47.3
Properties as shown in the financial statements (£m)	**870.0**
Revaluation gain in the year (£m)	68.0
Initial yield	5.9%
Equivalent yield	6.1%
Property level return	16.0%
Reversionary	14.2%
Loan to value ratio	46.2%
Net debt to value ratio	44.0%
Lease length (years)	
Weighted average lease length to break	7.3
Weighted average lease length to expiry	8.5
Passing rent (£m) of leases expiring in:	
2016	9.3
2017	4.5
2018–2020	12.1
ERV (£m) of leases expiring in:	
2016	10.8
2017	5.2
2018–2020	12.6
Passing rent (£m) subject to review in:	
2016	4.1
2017	4.6
2018–2020	6.9
ERV (£m) of passing rent subject to review in:	
2016	3.8
2017	4.7
2018–2020	8.4
Rental Data	
Contracted rent at year end (£m)	58.1
Passing rent at year end (£m)	55.0
ERV at year end (£m per annum)	62.7
ERV movement (%)	0.8%
Occupancy (%)	97.2%

Advisors and Corporate Information

Auditor
Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London EC4A 3BZ

Investment bankers/brokers
JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Java Capital (JSE Sponsor)
6A Sandown Valley Crescent
Sandown
Sandton 2196
South Africa

Principal lending bankers
Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 3UR

Principal valuers
CBRE Limited
Kingsley House
1a Wimpole Street
London W1G 0RE

Cushman & Wakefield LLP
43/45 Portman Square
London W1A 3BG

Principal legal advisers
Olswang LLP
90 High Holborn
London WC1V 6XX

Registered office
52 Grosvenor Gardens
London SW1W 0AU
Telephone: +44 (0)20 7932 8000
Facsimile: +44 (0)20 7802 5600
www.capreg.com

Registered number
01399411

Shareholder Information

Registrars
Equiniti Limited (LSE)
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0371 384 2438*
International dialling: +44 (0)121 415 7047

Link Market Services South Africa Proprietary Limited (JSE)
PO Box 4844
Johannesburg, 2000
South Africa
Helpline Number:
011 713 0800 (SA callers)
+27 11 713 0800 (if calling from outside South Africa)
info@linkmarketservices.co.za

* Lines open 08:30 - 17:30, Monday to Friday, excluding bank holidays.

Glossary of Terms

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

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

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

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

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

Debt is borrowings, excluding unamortised issue costs.

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

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

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

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

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

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

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

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

Like for like figures exclude the impact of property purchases and sales on year to year comparatives.

Loan to value (LTV) is the ratio of debt excluding fair value adjustments for debt and derivatives, to the fair value of properties (including adjustments for tenant incentives and head leases).

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

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

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

Net initial yield (NIY) is the annualised net rent generated by the portfolio expressed as a percentage of the portfolio valuation grossed up for purchaser's costs.

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

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

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

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

Glossary of Terms

Continued

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

REIT – Real Estate Investment Trust

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

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

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

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

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

Temporary lettings are those lettings for one year or less.

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

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

Vacancy rate is the ERV of vacant properties expressed as a percentage of the total ERV of the portfolio, excluding development properties, in line with EPRA's best practice recommendations.

Variable overhead includes discretionary bonuses and the costs of awards to directors and employees made under the 2008 LTIP and SAYE schemes which are spread over the performance period.

Capital& Regional

Capital & Regional plc
52 Grosvenor Gardens
London SW1W 0AU
Tel: +44 (0)20 7932 8000
www.capreg.com