

4 March 2016

Capital & Regional plc
(“Capital & Regional”, the “Group” or the “Company”)
Full Year Results to 30 December 2015

CAPITAL & REGIONAL DELIVERS YEAR OF STRONG PROFIT AND DIVIDEND GROWTH

Capital & Regional plc, the UK shopping centre focused REIT, today announces its full year results to 30 December 2015 together with the £10.5 million acquisition of a further property in Hemel Hempstead and the selection of Barratt London as the preferred development partner for the proposed extension of The Mall, Walthamstow.

Financial

- Operating Profit increased 24% to £24.0 million (December 2014: £19.3 million) benefiting from our ongoing asset management initiatives and the impact of cost synergies from integrating the Mall portfolio.
- Total profit of £100 million (December 2014: £75.2 million) including unrealised valuation gains.
- 228% increase in total dividend for 2015 of 3.12p per share compared to 2014 (0.95p per share) and ahead of previous guidance.
- NAV per share increased by 20% to 72p (December 2014: 60p), reflecting strengthening investment markets but also growth in income and repositioning of our shopping centres.
- See-through net debt to property of 41% (December 2014: 45%).
- Total shareholder return of 29.8% (December 2014: 24.7%).

Operational

- Net rental income on our wholly owned Mall portfolio of £47.1 million, reflecting 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 during 2015, including the:
 - £3.2 million redevelopment of Ainsworth Mall in Blackburn, with a new gym handed over in 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.

Strong momentum continues into 2016

- 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.
- £10.5 million purchase of Edmonds Parade property announced today, which is adjacent to the Marlowes shopping centre that was acquired in February 2016 for £35.5 million and further consolidates 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.

	2015	2014
Total shareholder return ¹	29.8%	24.7%
Operating Profit ²	£24.0m	£19.3m
Profit for the period	£100.0m	£75.2m
Total Dividend per Share	3.12p	0.95p
NAV per share	72p	60p
EPRA NAV per share	71p	59p
Group net debt ³	£338.1m	£336.6m
See-through net debt to property value ^{3, 4}	41%	45%

¹ Change in share price plus dividends paid. 2014 based on 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.

Commenting on the results, John Clare, Chairman said:

“Following the transformational corporate activity undertaken by management in 2014, we are pleased to report today that Capital & Regional has delivered meaningful increases in both operating profits and NAV during its first year as a REIT. We now have a solid platform for growth from which to drive further income from the Company’s portfolio, as the £65 million multi-year Mall asset management programme begins to bear fruit, alongside the exciting opportunities presented at Hemel Hempstead.

“Reflecting our confidence in these growth prospects, the Board is targeting future dividend growth in the range of 5% to 8% per annum in the medium term.”

Hugh Scott-Barrett, CEO added:

“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. Our centres are trading profitably, benefitting from a range of high profile tenants and an increasing leisure offer, which accounted for 40% of new lettings in 2015.

“The progress on the extension and the selection of Barratt London as preferred development partner is an endorsement of the potential of Walthamstow. While we have a significant project ahead of us, it is one that will transform the scheme and is expected to deliver attractive returns. This allied with the potential of our investments in Hemel Hempstead and identification of additional opportunities within the rest of our portfolio, over and above our existing £65 million plan, provides us with a strong platform for growth to drive further shareholder value.”

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About Capital & Regional plc

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 is listed on the main market of the London Stock Exchange and has a secondary listing on the Johannesburg Stock Exchange.

Capital & Regional owns seven shopping centres in Blackburn, 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 over 1.7 million shopping visits each week, through its in-house expert property and asset management platform.

For further information see www.capreg.com.

Forward looking statements

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

Chairman's Statement

Strategy

The prospects for growth in income and dividend, together with capital appreciation, underpin Capital & Regional's strategy of focussing 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.

Performance Overview

I am pleased to report that 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.

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.

Chairman's Statement

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.

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 Neno for his substantial contribution over the last six years, particularly to the shaping of strategy and the repositioning of the business for growth.

I would also like to take this opportunity to thank Philip Newton for his invaluable contribution over nine years, during which time Capital & Regional's fortunes have been transformed.

John Clare CBE
Chairman

Chief Executive's Statement

Strong Operational Performance

The Group is reporting a further improvement in its key operational metrics for 2015. 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 on-line sales) of 0.8%.

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 Marlowes, Hemel Hempstead, announced on 13 January 2016, offers a different type of opportunity. Acquired for £35.5 million, 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 acquisition that we have announced today of the adjacent Edmonds Parade property for £10.5 million, which will be integrated into the main scheme. We are also actively pursuing further similar opportunities in the surrounding area.

Chief Executive's Statement

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 Edmonds Parade property 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

Operating review

The Group is now fully focused on executing its £65 million asset management plan for its wholly owned portfolio, as well as its plans for 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 (excluding 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.

Operating review

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 10 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 focussed 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 acquire 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

Occupancy levels

	30 December 2015	30 June 2015	30 December 2014
Occupancy (like-for-like) ¹	%	%	%
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	6 months ended 30 December 2015	6 months ended 30 June 2015
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 10 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 10 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.

Operating review

Footfall

Footfall at the Group's UK shopping centres declined by a marginal 0.4%, but outperformed the national footfall index by 1.3% during 2015.

Investment portfolio performance

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

	Property valuation ¹	Capital return	Total return	Initial yield	Equivalent yield
30 December 2015	£m	%	%	%	%
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 £10.5 million acquisition of the adjacent Edmonds Parade property representing an initial yield of 7.8%. We are also actively pursuing similar opportunities in the surrounding area. 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 acquisitions have been funded using existing cash and a non-recourse loan facility of £23.1 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), despite cost pressure. 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

Key performance indicators

	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 Dec 2015			Statutory 30 December 2015 £m	See-through at 30 December 2014			Statutory 30 December 2014 £m
	Property ¹	Debt	Other		Property ¹	Debt	Other	
	£m	£m	£m		£m	£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

Financial review

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 costs 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

Profitability (continued)

Profit for the period

<i>Amounts in £m</i>	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	Debt ¹	Cash ²	Net debt	Loan to Value ³	Net debt to value ³	Average interest rate	Fixed	Duration to loan expiry
30 December 2015	£m	£m	£m	%	%	%	%	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 6 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' section at the end of this report.

Financial review

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.

Financial review

Going Concern

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

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

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

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

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.

Share certificates on the South African register may not be dematerialised or rematerialised between 1 April 2016 and 15 April 2016, both dates inclusive, nor may transfers between the UK and South African registers take place between 1 April 2016 and 15 April 2016, both dates inclusive. Information relating to the proportion of the final 2015 dividend to be paid as a PID and the dividend tax to be withheld from Capital & Regional shareholders on the South African register will be announced separately, together with the ZAR equivalent dividend announcement on 1 April 2016.

The key dates in relation to the payment of the 2015 final dividend are:

- | | |
|---|---------------|
| • 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 |

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			
<ul style="list-style-type: none"> • Weakening economic conditions and poor sentiment in commercial real estate markets could lead to low investor demand and an adverse movement in valuation 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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			
<ul style="list-style-type: none"> • Tenant insolvency or distress • Prolonged downturn in tenant demand and pressure on rent levels 	<ul style="list-style-type: none"> • Tenant failures and reduced tenant demand could adversely affect rental income, lease incentive, void costs, cash and ultimately property valuation 	<ul style="list-style-type: none"> • 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 through temporary lettings and other mitigation strategies 	↑
Threat from the internet			
<ul style="list-style-type: none"> • The trend towards online shopping may adversely impact consumer footfall in shopping centres 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 • Monitoring of footfall for evidence of negative trends • Monitoring of retail trends and shopping behaviour • Digital marketing initiatives 	-
Concentration and scale risk			
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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			
<ul style="list-style-type: none"> • The threat to the Group's property assets of competing in town and out of town retail and leisure schemes 	<ul style="list-style-type: none"> • Competing schemes may reduce footfall and reduce tenant demand for space and the levels of rents which can be achieved 	<ul style="list-style-type: none"> • 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

Risk	Impact	Mitigation	Trend since last year
Development risk			
<ul style="list-style-type: none"> Delays or other issues may occur to capital expenditure and development projects 	<ul style="list-style-type: none"> May lead to increased cost and reputational damage Planned value may not be realised 	<ul style="list-style-type: none"> Approval process for new developments Use of experienced project coordinators and external consultants with regular monitoring and Executive Committee oversight 	New
Funding and treasury risks			
Liquidity and funding			
<ul style="list-style-type: none"> Inability to fund the business or to refinance existing debt on economic terms when needed 	<ul style="list-style-type: none"> Inability to meet financial obligations when due Limitation on financial and operational flexibility Cost of financing could be prohibitive 	<ul style="list-style-type: none"> 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 	-
Covenant compliance risks			
<ul style="list-style-type: none"> Breach of any loan covenants causing default on debt and possible accelerated maturity 	<ul style="list-style-type: none"> Unremedied breaches can trigger demand for immediate repayment of loan 	<ul style="list-style-type: none"> 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			
<ul style="list-style-type: none"> Exposure to rising or falling interest rates 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Regular monitoring of the performance of derivative contracts and corrective action taken where necessary Use of alternative hedges such as caps 	-
Other risks			
Execution of business plan			
<ul style="list-style-type: none"> Failure to execute business plan in line with internal and external expectations 	<ul style="list-style-type: none"> Potential loss of income or value resulting in lower cash flow and property valuation Reputational damage negatively impacting investor market perception 	<ul style="list-style-type: none"> 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 	New

Risk	Impact	Mitigation	Trend since last year
<i>Property acquisition/disposal strategy</i>			
<ul style="list-style-type: none"> • Exposure to risks around overpayment for acquisitions • Portfolio not effectively managed through the investment cycle, with sales and deleveraging at the appropriate time 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Regular monitoring of the property market and the use of professional advisers • Bank finance scrutiny • Impact of cycle reflected in business planning 	New
<i>Tax risks</i>			
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Tax related liabilities and other losses could arise 	<ul style="list-style-type: none"> • Monitoring of REIT compliance • Expert advice taken on tax positions and other regulations • Maintenance of a regular dialogue with the tax authorities 	-
<i>Regulation risks</i>			
<ul style="list-style-type: none"> • Exposure to changes in existing or forthcoming property related or corporate regulation 	<ul style="list-style-type: none"> • Failure to comply could result in financial penalties, loss of business or credibility 	<ul style="list-style-type: none"> • Management undertake training to keep aware of regulatory changes • Expert advice taken on complex regulatory matters 	-
<i>Loss of key management</i>			
<ul style="list-style-type: none"> • Dependence of the Group's business on the skills of a small number of key individuals 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	-
<i>Historic transactions</i>			
<ul style="list-style-type: none"> • Historic sales have included vendor warranties and indemnities and as such, the Group has potential exposure to future claims from the purchaser 	<ul style="list-style-type: none"> • Warranty and indemnity related liabilities and other losses could arise 	<ul style="list-style-type: none"> • Use of professional advisers to achieve properly negotiated agreements in terms of scope, extent of financial liability and timeframe • Monitoring of ongoing exposure 	New

Unaudited preliminary consolidated income statement

For the year to 30 December 2015

	Note	2015 £m	2014 £m
Continuing operations			
Revenue	3	80.7	46.6
Cost of sales		(29.1)	(18.2)
Gross profit		51.6	28.4
Administrative costs		(10.8)	(11.0)
Share of profit in associates and joint ventures	7a	7.8	10.2
Acquisition of Mall Units		-	8.1
Gain on revaluation of investment properties	6a	68.0	36.9
Other gains and losses		0.2	4.4
Profit on ordinary activities before financing		116.8	77.0
Finance income		0.7	0.4
Finance costs		(19.9)	(10.2)
Profit before tax		97.6	67.2
Tax credit	4b	-	2.5
Profit for the year from continuing operations		97.6	69.7
Discontinued operations			
Profit for the year from discontinued operations	13	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	5a	13.9p	13.6p
Diluted earnings per share	5a	13.7p	13.5p
Continuing and discontinued operations			
Basic earnings per share	5a	14.3p	14.7p
Diluted earnings per share	5a	14.0p	14.5p

Unaudited preliminary consolidated statement of comprehensive income

For the year to 30 December 2015

	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.

Unaudited preliminary consolidated balance sheet

At 30 December 2015

	Note	2015 £m	2014 £m
Non-current assets			
Investment properties	6	870.0	790.8
Plant and equipment		0.6	0.7
Fixed asset investments	13	1.6	2.7
Receivables		15.9	17.9
Investment in associates	7b	15.9	13.6
Investment in joint ventures	7c	11.7	-
Total non-current assets		915.7	825.7
Current assets			
Receivables		13.7	16.1
Cash and cash equivalents	8	49.9	42.6
Assets classified as held for sale	13	-	39.5
Total current assets		63.6	98.2
Total assets	2b	979.3	923.9
Current liabilities			
Trade and other payables		(33.7)	(41.8)
Current tax liabilities		-	-
Liabilities directly associated with assets held for sale	13	-	(0.8)
		(33.7)	(42.6)
Net current assets		29.9	55.6
Non-current liabilities			
Bank loans	9	(374.9)	(396.8)
Other payables		(2.1)	(0.1)
Obligations under finance leases		(65.4)	(65.4)
Deferred tax liabilities		-	-
Total non-current liabilities		(442.4)	(462.3)
Total liabilities	2b	(476.1)	(504.9)
Net assets		503.2	419.0
Equity			
Share capital		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		(0.6)	(0.6)
Retained earnings		274.9	189.5
Equity shareholders' funds		503.2	419.0
Basic net assets per share	11	£0.72	£0.60
EPRA triple net assets per share	11	£0.70	£0.59
EPRA net assets per share	11	£0.71	£0.59

Unaudited preliminary consolidated statement of changes in equity

For the year to 30 December 2015

	Other reserves					Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total Equity £m
	Share capital £m	Share premium £m	Merger reserve £m	Foreign currency reserve £m	Net investment hedging reserve £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	-	-	-	-	-	-	-	0.5	0.5	-	0.5
Deferred tax on share-based payments (note 4c)	-	-	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
New shares issued	3.5	157.2	-	-	-	-	-	-	160.7	-	160.7
Dividends paid (note 14)	-	-	-	-	-	-	-	(3.8)	(3.8)	-	(3.8)
Repurchase and cancellation of deferred shares	(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	-	-	-	-	-	-	-	0.6	0.6	-	0.6
Deferred tax on share-based payments (note 4c)	-	-	-	-	-	-	-	-	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	-	(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.

Unaudited preliminary consolidated cash flow statement

For the year to 30 December 2015

	Note	2015 £m	2014 £m
Operating activities			
Net cash from operations	10	29.9	22.5
Distributions received from associates	7b	0.2	1.5
Distributions received from joint ventures	7c	-	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	13	42.3	-
Disposal of Waterside Lincoln Limited Partnership	7c	-	14.8
Disposal of Leisure World, Hemel Hempstead		-	8.4
Other disposals		-	0.2
Purchase of plant and equipment		(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	14	(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		-	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	11.1
Cash and cash equivalents at the end of the year	8	49.9	42.6

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

Notes to the unaudited preliminary financial statements

For the year to 30 December 2015

1 Significant Accounting Policies

General information

Capital & Regional plc is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. These unaudited preliminary consolidated financial statements, which were approved by the Board of directors on 1 March 2016, do not constitute the Company's statutory financial statements for the years ended 30 December 2015 or 2014.

Statutory accounts for 2014 have been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Basis of accounting

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

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.

Going concern

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

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.

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

	Note	UK Shopping Centres				Group/ Central	Total Continuing Operations	Discontinued Operations	Total
		The Mall	Other UK Shopping Centres	Snozone					
Year to 30 December 2015		£m	£m	£m	£m	£m	£m	£m	
Rental income from external sources	2b	57.5	3.1	-	-	60.6	-	60.6	
Property and void costs		(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	4b				-	-	-	-	
(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

	Note	UK Shopping Centres				Total Continuing Operations	Discontinued Operations	Total
		The Mall	Other UK Shopping Centres	Snozone	Group/ Central			
Year to 30 December 2014		£m	£m	£m	£m	£m	£m	£m
Rental income from external sources		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)		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	4b				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

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	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).

Assets	Note	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	Note	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 Tax

4a 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.

4b Tax credit

		Year to 30 December 2015	Year to 30 December 2014
	Note	£m	£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		-	-
Adjustments in respect of prior years – continuing operations		-	(0.2)
Total deferred tax credit		-	(1.5)
Total tax credit		-	(2.5)
Total tax credit – continuing operations	4d	-	(2.5)
Total tax credit – discontinued operations		-	-

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

4c Tax charge to equity

		Year to 30 December 2015	Year to 30 December 2014
		£m	£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		-	0.2

4 Tax (continued)

4d Tax charge reconciliation

		Year to 30 December 2015	Year to 30 December 2014
	Note	£m	£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	4b	-	(2.5)

The UK corporation tax 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 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%).

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.

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.

5 Earnings per share

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

5a Earnings per share calculation

	Note	Year to 30 December 2015			Year to 30 December 2014		
		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	5b	-	-	(74.8)	-	-	(43.2)
Profit on disposal of investment properties (net of tax)	5b	-	-	(0.1)	-	-	(4.8)
Negative goodwill		-	-	-	-	-	(11.5)
Acquisition costs		-	-	-	-	-	3.1
Movement in fair value of financial instruments (net of tax)	5b	-	-	0.8	-	-	1.0
Deferred tax credit/(charge) on capital allowances		-	-	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		700.8	700.8	700.8	514.2	514.2	514.2
Own shares held		(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.

5 Earnings per share (continued)

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

	Note	Year to 30 December 2015			Year to 30 December 2014		
		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	7d	1.7	-	-	7.4	0.1	0.3
Joint ventures	7e	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	5a	74.8	0.1	(0.8)	43.2	4.8	(1.0)

5c 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

6 Investment properties

6a 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

6b Property assets summary

	30 December 2015		30 December 2014	
	100% £m	Group share £m	100% £m	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

6c 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.

7 Investment in associates and joint ventures

7a Share of results

	Note	Year to 30 December 2015 £m	Year to 30 December 2014 £m
Share of results of associates	7d	2.5	11.7
Share of results of joint ventures	7e	5.3	(1.5)
		7.8	10.2

7b Investment in associates

	Note	30 December 2015 £m	30 December 2014 £m
At the start of the year		13.6	112.1
Share of results of associates	7d	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	7d	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. 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.

7c 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	7e	5.3	(1.5)
Share of results of joint ventures within discontinued operations	7e	-	4.6
Dividends and capital distributions received		-	(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	7e	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 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, disposal was completed on 10 February 2015, see note 13 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.

7 Investment in associates and joint ventures (continued)

7d 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

7 Investment in associates and joint ventures (continued)

7e Analysis of investment in joint ventures

	Other UK Shopping Centres – Buttermarket Ipswich £m	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	-

8 Cash and cash equivalents

	30 December 2015	30 December 2014
	£m	£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).

9 Bank loans

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

	30 December 2015	30 December 2014
	£m	£m
Borrowings at amortised cost		
Secured		
Fixed and swapped bank loans	233.3	233.3
Variable rate bank loans	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 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.

10 Reconciliation of net cash from operations

		Year to 30 December 2015 £m	Year to 30 December 2014 £m
Profit for the year	Note	100.0	75.2
Adjusted for:			
Profit on disposal of associates and joint ventures		(2.4)	(4.8)
Income tax credit – continuing operations	4b	-	(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	7a	(7.8)	(10.2)
Share of profit in associates and joint ventures – discontinued operations	13	-	(4.6)
Depreciation of other fixed assets		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

11 Net assets per share

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

	30 December 2015			30 December 2014
	Net assets £m	Number of shares (m)	Net assets per share (£)	Net assets per share (£)
Basic net assets	503.2	700.8	0.72	0.60
Own shares held	-	(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	(0.1)			
Exclude deferred tax on unrealised gains and capital allowances	-			
EPRA net assets	503.1	712.4	0.71	0.59

12 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%

13 Discontinued Operations

German joint venture

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

The total 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).

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:

		Year ended 30 December 2015	Year ended 30 December 2014
	Note	£m	£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.

14 Dividends

	Year to 30 December 2015	Year to 30 December 2014
	£m	£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	-

¹Withholding Tax of £1.5 million relating to this dividend was paid in January 2016.

²In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been included as a liability in these financial statements.

15 Events after the balance sheet date

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 the Group completed the acquisition of Edmonds Parade in Hemel Hempstead, an adjacent property to The Marlowes Shopping Centre for £10.5 million reflecting an initial yield of 7.8%. The acquisition was part funded through an extension of the new debt with the Royal Bank of Scotland of a further £5.25 million with the remainder utilising available Group cash.

Covenant information

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.

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

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

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

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

Passing rent is gross rent currently payable by tenants including car park profit but excluding income from non-trading administrations and any assumed uplift from outstanding rent reviews.

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.

Wholly owned assets (The Mall) portfolio information

At 30 December 2015

Physical data

Number of properties	6
Number of lettable units	706
Lettable space (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%

EPRA performance measures

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	2014
	£m	£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 outgoing	(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	2014 ¹
	£m	£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.