Capital & Regional

Annual Report 2009

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Capital & Regional...

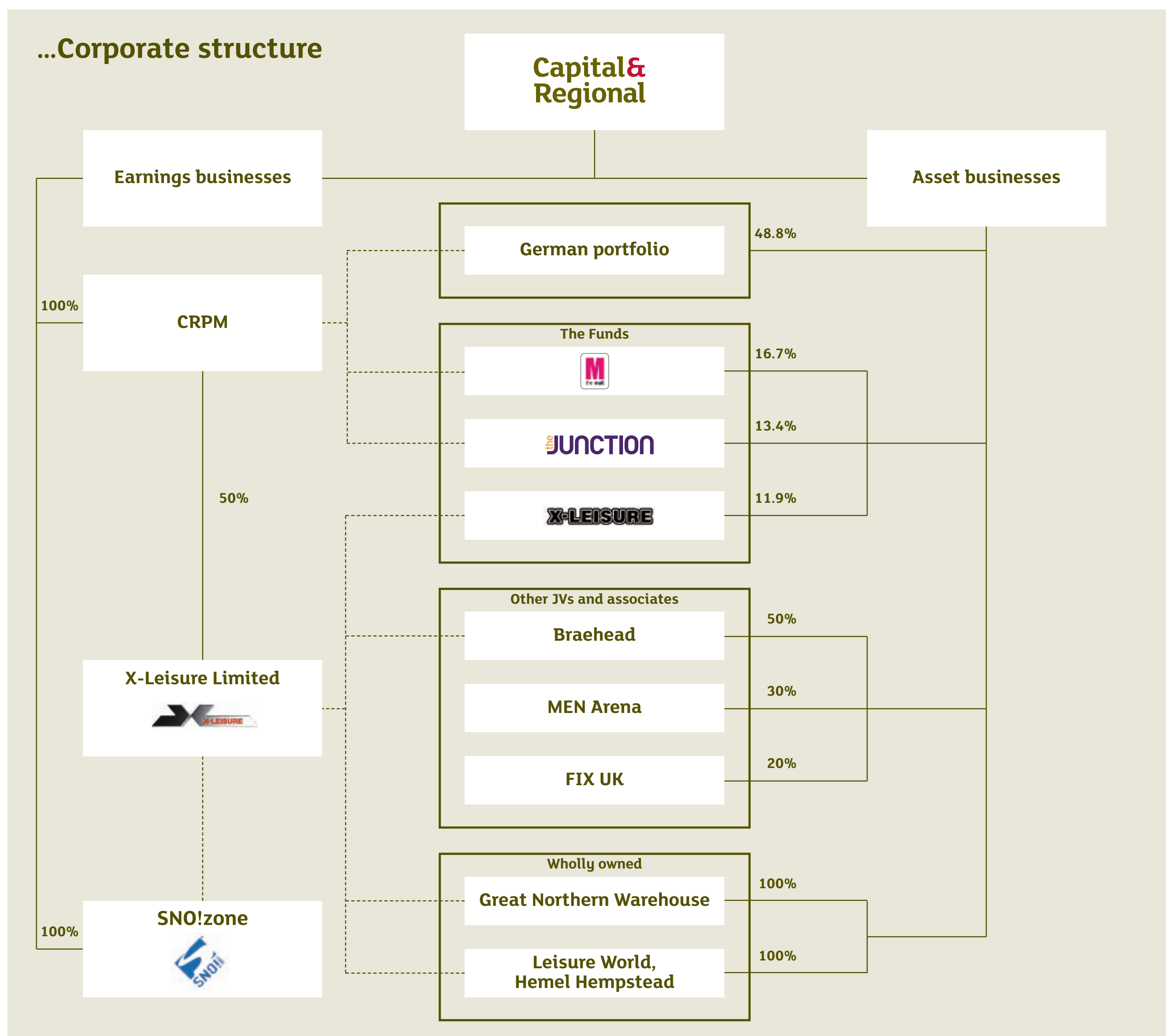
...What we do

- C&R is a co-investing property asset manager. This means that we manage property assets for funds and joint ventures in which we hold a significant stake
- We aim to build best-of-class specialist management teams for the retail and leisure sectors in which we operate

...Business model

- We operate asset businesses and earnings businesses
- Asset businesses comprise our investments in property funds and joint ventures, and our wholly-owned properties
- Earnings businesses comprise our property management teams, which manage the funds and German joint venture, and SNO!zone

...Corporate structure



Chairman's statement

"Whilst the Board is by no means complacent about the challenges ahead, the Capital Raising completed in September and the agreed changes to the Group's banking arrangements undoubtedly marked a turning point for the Group and its prospects."

Tom Chandos, Chairman

Overview

The impact on valuations of improving property market sentiment has enabled Capital & Regional to return to profitability in the second half of 2009. The full year pre-tax loss of £113 million reflects the fact that, for much of the year, market conditions were challenging and that it was only in the fourth quarter that valuations in the UK funds began to recover some of the ground lost in the first half of the year.

The Capital Raising completed in September and the agreed changes to the Group's banking arrangements have contributed materially to improving Capital & Regional's financial resilience. Whilst the Board is by no means complacent about the challenges ahead, these two events undoubtedly marked a turning point for the Group and its prospects.

The positive momentum in investment markets has continued into the first quarter of 2010, although the pace of growth has slowed in most areas from the fourth quarter of last year. Given that these supportive market conditions are, in part, a consequence of stimulus measures implemented by governments around the world, there is a risk that these conditions will soften as liquidity measures are withdrawn.

Consequently, the Group has been taking steps to sell into strength either where capital can be recycled from assets offering lesser asset management potential or where refinancing needs can be anticipated. The Board believes these are prudent steps particularly as tenant markets are likely to remain challenging for the balance of 2010.

Dividend

The Board is not recommending the payment of a final dividend, meaning that no dividend will be payable for the full year. The Board is committed to resuming dividend payments when it considers it prudent to do so, but future payments will be linked for the foreseeable future to the Group's cash generating ability and will normally be restricted to not more than 50% of operating cash flow less interest and tax to comply with the undertakings given for the Group's banking arrangements.

The Board

I am delighted to welcome Louis Norval and Neno Haasbroek as non-executive directors. Their extensive knowledge of commercial property, and of the retail sector in particular, has already enabled them to make an important contribution to the Board's deliberations. PY Gerbeau resigned from the Board in July 2009 to concentrate on his new role as Chief Executive of X-Leisure Limited, while Hans Mautner retired from the Board in June 2009. I would like to thank both of them for their valuable contributions to the Group as directors.

Responsible business

Capital & Regional has attached particular importance to maintaining its commitment to responsible business in the very challenging operating environment. We encourage each of the businesses and functions to develop an approach suitable to them, whilst providing strategic direction through a Responsible Business Committee. This approach has resulted in a number of notable achievements which are set out in the statement on responsible business.

Our partners

The Group's partnerships, to which has now been added the growing relationship with Parkdev following its investment as part of the Capital Raising, have continued to develop during the course of the year. The Board has actively sought to link partners' capital resources with the Group's own capital and its proven asset management capabilities in pursuing new opportunities for growth. These are expected to increase during the course of 2010.

The reshaping and strengthening of the Group over the past two years has only been possible as a result of the commitment and capability of all our employees, whether long standing or more recently arrived. It is because of them that the Group can now look forward to a secure and successful future.

Tom Chandos
Chairman

Chief Executive's statement

"The skills that we have demonstrated as property asset managers in managing through challenging conditions will serve us well as our focus shifts from income protection to income recovery."

Hugh Scott-Barrett, Chief Executive

Results

Higher property values towards the end of the year have contributed to a much improved result for 2009. It is very encouraging to be able to report a pre-tax profit of £17 million for the six months to 30 December 2009 in a year in which the Group's prospects have improved significantly as a result of decisive actions taken by the management team. The full year pre-tax loss was £113 million compared with a pre-tax loss of £516 million in 2008.

We continue to generate recurring income from our role not only as a property investor but also as an asset manager and owner of operating businesses. Although we have delivered more than £3.5 million of cost savings, this positive effect has been outweighed by the impact of falling valuations and dilutions as a result of the part-sale of the German portfolio and capital raisings by the three UK funds since June 2008. As a consequence we have reported recurring pre-tax profits of over £17 million in 2009 compared with £28 million for 2008.

The three UK funds have experienced peak to trough falls in property valuations (reached in the second and third quarters of 2009) ranging from 39% for X-Leisure to 52% and 54% respectively for The Junction and The Mall. Recovery from these low levels has been most pronounced in retail warehousing, up by 12% from the trough in June 2009. Shopping centre valuations improved in the final quarter of the year while leisure valuations have lagged behind retail, though they have shown improvement in the first two months of 2010.

Whilst valuations in Germany fell a little further in the second half of the year, we believe that they are now stabilising. The German market has historically lagged behind and been less volatile than the UK which, combined with the resilience and strong operational performance of the portfolio, has limited the fall over the year to 4% in local currency. There has been a fall of 12% in local currency in the German portfolio from the peak in December 2007 to the end of 2009.

Reported net asset value per share has not only been affected by the impact of gearing on these property valuations but also by the impact of the new shares issued in the Capital Raising. Basic and EPRA net asset values per share as at 30 December 2009 were 37p and 47p compared with restated figures of £1.30 and £1.74 as at 30 December 2008.

Financial position

The financial position of the Group has been significantly reinforced during the year as a result of the following actions:

- The Capital Raising of £69 million by way of a Firm Placing and Open Offer in which Parkdev International Asset Managers subscribed £23.4 million for a 25% stake in the Company.
- The simultaneous renegotiation of the Group's core banking facility and the facilities relating to assets held on the Group balance sheet, being the Great Northern Warehouse, Hemel Hempstead and 10 Lower Grosvenor Place.
- The Junction's £64 million capital raising in which AREA Property Partners subscribed £50 million, together with the renegotiation of the fund's banking arrangements.
- X-Leisure's £50 million capital raising, the establishment of X-Leisure Limited as a distinct management platform, together with the renegotiation of the fund's syndicated facility and facilities for Brighton Marina, Milton Keynes and Castleford.

Improving valuations in the second half of the year, new capital at both Group and fund level as well as the renegotiation of a significant number of banking arrangements have therefore contributed to this greater resilience.

Notwithstanding these actions, both the Group and UK funds continued to deleverage in the fourth quarter of the year and the start of 2010. The Group has completed the sale of 10 Lower Grosvenor Place and the adjoining Beeston Place property and is in negotiations to sell its stake in the MEN Arena in Manchester. The Mall completed the sale of Bexleyheath for £98 million at the end of 2009 and since year end has sold two further shopping centres in Aberdeen and Preston for £134 million. The Junction also completed the sale of its retail parks in Aberdeen and Slough for £82 million before the end of the year, while X-Leisure has recently sold its Croydon property for £33 million.

Chief Executive's statement continued

The disposals in The Mall have allowed the repayment of tranches of its CMBS financing in advance of the expiry date of the bonds in 2012 and those in The Junction have enabled the fund to reduce its LTV to a point where distributions to unit holders can recommence in 2010. Following the Croydon sale, we also expect X-Leisure to restart distributions this year.

Management remains focused on anticipating refinancing needs well in advance of maturity and has secured credit committee approval for the refinancing on competitive terms of both facilities in Germany that mature in 2010. Discussions have also started on the 2011 refinancings. Since the year end, two small property disposals have been made from the German portfolio for tactical reasons with the £6 million cash proceeds currently retained in the portfolio.

Operations
Capital & Regional's property asset management teams have had to deal with very challenging tenant conditions and have been fully focused on income security as a number of retailers, particularly in The Mall, fell into administration at the beginning of 2009. Steady progress has been made in re-letting this space with overall occupancy of 94.6% at year end across the UK funds, compared with 94.2% at the end of 2008. It has been particularly pleasing to see that four of the six directly held Woolworths stores have been let on good terms and that significant progress has been made on the letting of the other two units. It is also noteworthy that The Junction was one of the first UK property owners to secure a Best Buy letting, with a 50,000 square feet unit at its Thurrock Retail Park.

Strategy
Capital & Regional is now in a position where it has financial resources to invest in new opportunities, and partners with whom it can co-invest to support the further development of the Group as a co-investing property asset manager. Our focus will be on:

- Improving the value of the capital invested in the three UK funds and in Germany through property asset management initiatives, the recycling of capital within the portfolios and, where appropriate, further investment by the Group.

- Direct investment in retail and leisure where we can leverage available capital to generate fee income based on our specialist property asset management skills. We estimate that there is scope for an additional £1.5 billion property under management from existing resources alone. This could take the form of the establishment of additional funds with existing partners and/or third parties, where we can combine property investment with fund, asset and property management income.

- Expansion of the management platform, either organically or by way of acquisition.

Although we have submitted offers on a small number of opportunities, we feel there are likely to be more attractively priced investments as the year progresses. The key to creating value for our shareholders will be to retain maximum strategic flexibility to take advantage of opportunities as they arise.

Outlook
Continuing investor appetite for retail commercial property will be supportive of further improvements in UK valuations in the first half of 2010. Having lagged retail, the leisure sector is also expected to see recovery, which the February X-Leisure fund valuation indicates with a 6% increase from the year end figure as shown in note 35 to the financial statements. We also expect the German portfolio to continue to demonstrate resilience amidst increasing signs of stabilisation in the first quarter of 2010.

The Group and the funds where it acts as property asset manager will continue to look to sell assets during the current strength in the investment markets, as the risk exists that they may soften later in 2010. The Group will also benefit from additional measures taken in 2009 to reduce costs. These are, however, likely to be offset by the impact of property sales on fee levels and property investment income.

We anticipate tenant markets remaining challenging throughout this year and the bad weather at the start of 2010 has been an additional factor. Though administrations are running at much lower levels than last year, there is still evidence that retailers are facing headwinds which means that the downward pressure on rental values is likely to continue for the foreseeable future. The skills that we have demonstrated as property asset managers in managing through such challenging conditions will serve us well in mitigating this risk, as our focus shifts from income protection to income recovery.

Hugh Scott-Barrett
Chief Executive

Operating review

The Group's operations are affected both by the underlying performance of the tenants in its properties, and by the wider property investment market which reflects the impact of supply and demand for property.

Tenant markets

In the UK, the impact of the economic downturn hit tenants hard in the first quarter of 2009, which saw a number of high profile administrations and insolvencies. Although conditions for tenants remained challenging over the rest of the year, there was evidence of stabilisation in the second quarter and some improvement in the second half of 2009. Demand for vacant space has nevertheless been weak throughout the year, which has put downward pressure on ERVs. Our main objective has been income protection while seeking long-term solutions to voids caused by administrations.

Temporary lettings, which are less than one year in duration, have proved a useful means of maintaining occupancy and covering void costs while providing flexibility for longer term solutions to be found. Nevertheless, the Group has made a number of significant lettings during the year, including several vacant Woolworths stores in The Mall and one of the first UK Best Buy stores in The Junction. While the focus has been on income security, The Mall has nevertheless continued to make good progress with two developments within the existing Blackburn and Luton schemes.

The German portfolio has defensive characteristics, being predominantly anchored by food retailers with good financial covenants, and its tenants have continued to trade strongly during the year with very few tenant failures.

The Group monitors the performance of its tenant markets through the following key metrics; all figures quoted are like for like, to exclude the impact of property sales on year-to-year comparatives.

Occupancy levels

Over the course of the year, occupancy levels fell in the first two quarters but recovered in the second half of 2009 so that across the three funds at the year end, occupancy was 94.6% compared to 94.2% at the end of 2008. This once again demonstrates the ability of our teams to maintain occupancy levels and find tenants for vacant space in a challenging market.

The Mall saw the largest increase, from 94.0% to 95.0%, while X-Leisure saw a small decrease in the year, from 95.5% to 94.7% as a result of a number of insolvencies in the first quarter. The defensive qualities of the German portfolio are illustrated by its very strong occupancy rates: 98.1% at the end of 2009, having fallen only very slightly from 98.2% at the end of 2008.

Administrations

The level of administrations is one of the most important illustrations of the underlying condition of tenants. In the three UK funds, the challenges facing tenants were clearly demonstrated by the high numbers of insolvencies in the first quarter, when 83 units with passing rent of £6.9 million entered administration. The nine months in the rest of the year saw a much more resilient performance, with administrations in only 70 units with passing rent of £5.9 million. This meant that 5.1% of the total passing rent at the end of 2008 entered administration during 2009, broken down as follows:

	The Mall		The Junction		X-Leisure		Total	
	Units	Rent roll £m	Units	Rent roll £m	Units	Rent roll £m	Units	Rent roll £m
Q1 2009	73	5.0	5	1.5	5	0.4	83	6.9
Rest of year	56	3.7	5	1.2	9	1.0	70	5.9
Total 2009	129	8.7	10	2.7	14	1.4	153	12.8
		(5.8% of rent roll)		(5.7% of rent roll)		(2.6% of rent roll)		(5.1% of rent roll)
Q1 2010 to date	31	2.0	–	–	3	0.1	34	2.1

The trading position of the 2009 administrations at the date of this report is as follows:

- The Mall: 22 of the units with passing rent of £1.1 million are still trading and 84 units have been re-let.
- The Junction: one of the units with passing rent of £0.2 million is still trading and three units have been re-let. Two further units were in the properties sold during the year.
- X-Leisure: two of the units with passing rent of £0.3 million are still trading and two units have been re-let.

There were administrations in only three units in the German portfolio over the course of the year, with passing rent of £0.1 million. This was 0.2% of the rent roll at the start of the year. There have been no further administrations since the year end.

Passing rent

	The Mall £m	The Junction £m	X-Leisure £m	UK £m	Germany €m
30 December 2008	138.2	39.5	45.2	222.9	44.9
30 June 2009	131.3	39.1	45.7	216.1	45.3
30 December 2009	128.9	39.0	45.3	213.2	45.3

The level of administrations and general state of the economy has affected rental growth, which is a key measure of demand for space and hence the underlying performance of a portfolio. Maintaining occupancy levels in the face of administrations and lease expiries has often required new lettings at lower rent levels than old, and as a result passing rent on the like-for-like basis shown above has fallen 4.4% over the year. As in 2008, the retail market was the main driver, with The Mall seeing a fall of 6.8% and The Junction a fall of 1.1%. The leisure market proved more robust, with passing rent in X-Leisure increasing 0.2% primarily because of a number of successful rent reviews and new lettings that offset the administrations in the year.

Rent collection rates across the three funds have been good, with 96.8% of the December rent roll (excluding administrations) collected within 30 days. The best performance came from The Junction, with over 98% collected.

Monthly rent payments

In Germany, monthly rent payments are standard but in the UK leases generally provide for quarterly payments. This makes additional demands on cash flow so requests to move from quarterly to monthly rent payments can be an indicator of potential tenant distress. The funds consider such requests on a case-by-case basis and at the year end 8.6% of passing rent was paid by concession this way, compared with 5.2% at the end of 2008. The Junction continues to have the highest proportion of monthly payers.

New lettings and rent reviews

There was a considerable amount of letting activity during the year which helped to offset the level of administrations, although the weakness of the market and competition for new tenants meant that lettings were generally below ERV.

Across the three funds, 159 new lettings (excluding temporary lettings) were made at passing rent of £8.2 million, at an average

Operating review continued

of 10% below ERV at the end of the previous quarter. The number of new lettings was down from 255 in 2008, though the fall reflects property disposals across the funds as well as conditions in the letting market.

- In The Mall new rents were only 5.4% below ERV and in some centres the successful reletting of Woolworths stores not only gave an uplift in income but proved to be a generator of additional footfall which should enhance rental values in future.
- In The Junction a significant new letting above ERV was made for a large unit in Thurrock that will be occupied by Best Buy. Across the portfolio, however, the general weakness in the market meant that new lettings were on average 11.5% below ERV.
- In X-Leisure there were a number of turnover rents and fixed uplifts from low base figures which meant the average letting was 37.2% below ERV. The level of rent will, however, increase towards ERV in future years as the uplifts take effect.

There were 11 new lettings in the German portfolio at passing rent of £1.2 million.

In addition, 250 rent reviews were settled in the year at passing rent of £32.0 million, which was 3.3% above ERV. This was driven largely by The Mall, which contributed £18.1 million of the total at 5.1% above ERV.

Temporary lettings

There were temporary lettings in 202 units (2008: 120 units) at the end of the year, of which the majority were in The Mall. These lettings are an important part of the active management process, because they help maintain the vitality of the trading environment as well as meeting the costs of voids (the share of service charges as well as business rates) and generating additional income. These lettings enhanced occupancy and rental levels in the short term, covering the majority of those units that fell into administration in the last quarter of 2008 and first quarter of 2009.

The new valuers who took over responsibility for The Mall during the year make conservative assumptions about when these units are vacated and how long they might take to re-let, so the benefit of the temporary lettings is effectively disregarded in determining the valuations of the portfolio. Therefore, the extent to which these units may become permanently let provides scope for valuation uplift in the portfolio.

Property investment markets

2009 as a whole saw significant further adverse yield shift. Over the first nine months, UK yields continued to rise driven initially by weak demand for property, partly reflecting the shortage of bank finance but increasingly the result of fears over the security of income arising from the continued weakness of the tenant market. In the final quarter, changing sentiment in the market was reflected by greater demand for property and an increase in the number of transactions, albeit that this was mainly confined to the prime sector and the overall transactional level remained low. This improved sentiment led to inward yield shift for the first time since mid-2007 and a commensurate rise in the value of the Group's investments.

The German property market has historically lagged the UK market and has been much less volatile. The second half of 2009 saw a further small fall in values but there are signs that they have now stabilised.

Overall, like-for-like yields on the Group's portfolios moved outwards over the course of the year, though the recovery in the last quarter of the year for the UK portfolios can be seen in the following table:

	December 2008	Yield shift (bps)	September 2009[1]	Yield shift (bps)	**December 2009**
Initial yields					
The Mall	7.13%	113	8.26%	(47)	**7.79%**
The Junction	6.06%	104	7.10%	(67)	**6.43%**
X-Leisure	6.71%	130	8.01%	(10)	**7.91%**
UK weighted average[2]	6.71%	125	7.96%	(43)	**7.53%**
German joint venture	6.51%	22	6.73%	7	**6.80%**
Nominal equivalent yields[3]					
The Mall	8.50%	136	9.86%	(72)	**9.14%**
The Junction	7.03%	136	8.39%	(81)	**7.58%**
X-Leisure	7.75%	139	9.14%	(14)	**9.00%**
UK weighted average[2]	7.88%	154	9.42%	(63)	**8.79%**

1 June 2009 for Germany as the portfolio is not valued in September.
2 Based on C&R share in the three funds.
3 Nominal equivalent yields in Germany are equal to initial yields.

These rising yields, magnified by gearing at the fund and German joint venture level, have resulted in significant falls in the net asset value of these investments in 2009.

Fund and German joint venture performance

	2006	2007	2008	**2009**
The Mall				
Property level returns	17.6%	(3.3)%	(33.2)%	**(12.5)%**
Geared returns	26.3%	(13.2)%	(65.4)%	**(51.4)%**
IPD shopping centre index	12.7%	(4.3)%	(22.0)%	**(7.1)%**
The Junction				
Property level returns	15.0%	(16.8)%	(26.1)%	**(5.3)%**
Geared returns	18.3%	(34.0)%	(57.1)%	**(32.2)%**
IPD retail parks index	14.7%	(9.6)%	(25.6)%	**11.1%**
X-Leisure				
Property level returns	19.7%	2.1%	(21.9)%	**(19.0)%**
Geared returns	30.4%	(3.0)%	(48.2)%	**(41.7)%**
UK weighted average[1]				
Property level returns	16.9%	(6.1)%	(28.2)%	**(12.2)%**
Geared returns	23.9%	(17.3)%	(58.5)%	**(45.6)%**
German joint venture				
Property level returns	15.2%	7.5%	(5.2)%	**1.0%**
Geared returns	34.2%	16.2%	(32.4)%	**(9.8)%**

1 Based on C&R share in the three funds.

The main reason that The Mall has underperformed its benchmark is that IPD has a significant weighting of prime centres, which saw less yield shift from the peak than the mainly secondary centres held within the fund and where the recovery to date has been more pronounced.

The Junction has also underperformed its benchmark, as it has a higher percentage of bulky goods parks than the index and the recovery of yields in this sector has been less marked.

X-Leisure saw poorer property level returns, since it did not see the same degree of recovery in values in the last quarter of 2009 as The Mall and The Junction. Nevertheless, the February 2010 X-Leisure fund valuation saw 45 basis points of inward yield shift from December. There are indications that there will also be further inward movement during the first quarter of 2010 for The Mall and The Junction, whose valuations are prepared quarterly.

The positive property level return on the German portfolio arose because the income return has offset the negative capital returns over the year.

Financial review

In the face of challenging conditions in the property market, the Group's priority during the year was stabilising both its financial position and that of its funds. At fund level, this was achieved through capital raisings and renegotiations of banking facilities in both The Junction and X-Leisure. At Group level, this was achieved through the Capital Raising in September 2009 and the renegotiation of Group banking facilities. This coincided with the low point of valuations in the three main UK funds and hence represented a fundamental turning point for the Group.

KPI summary

The key performance indicators used to monitor performance are summarised in the table below and are explained in more detail in the following paragraphs. The figures include the unaudited interim 2009 results to highlight the improved performance in the second half of the year.

Key performance indicators	Year end 2007	Year end 2008	Half year 2009	Year end 2009
Scale of business				
Property under management	£6.1bn	£4.0bn	£3.2bn	**£3.1bn**
Investment returns				
Triple net diluted NAV per share[1]	£4.99	£1.33		**£0.37**
EPRA NAV per share[1]	£5.01	£1.74		**£0.47**
Total shareholder return	(73)%	(77)%	(28%)	**(22%)**
Profitability				
Recurring pre-tax profit	£32.7m	£27.6m	£10.3m	**£17.5m**
Loss before tax	£(167)m	£(516)m	£(131)m	**£(113)m**
Net debt[2]				
Group net debt	£588m	£109m	£115m	**£63m**
Net debt to equity ratio[3]	84%	58%	226%	**48%**
See-through net debt	£1,262m	£783m	£634m	**£566m**
Dividends				
Dividend per share	27p	5p	–	–

1 Comparative figures have been restated to show the impact of the open offer element of the Capital Raising but exclude the impact of the firm placing element.
2 Borrowings net of cash and cash equivalents.
3 Group net debt divided by shareholders' equity.

Key performance indicators – property under management

In line with the Group's objective of reducing debt both at a central and fund level, there were no property acquisitions but a number of disposals during 2009, as well as reduced capital expenditure on the underlying assets. Together with valuation falls, this meant that property under management fell in the year as follows:

£m	The Mall	The Junction	X-Leisure	German portfolio	Other	Total
2008	1,692	734	721	595	243	3,985
Disposals	(98)	(84)	(93)	–	(36)	(311)
Capital expenditure and other movements	46	2	1	1	–	50
Revaluation	(323)	(80)	(110)	(21)	(10)	(544)
Exchange difference	–	–	–	(40)	–	(40)
2009	**1,317**	**572**	**519**	**535**	**197**	**3,140**

- The Mall disposed of one property at Bexleyheath in December 2009 for £97.9 million at a deemed net initial yield of 7.55%, including a sum of £3.3 million conditional upon achieving rental uplifts on certain lease renewals. £63 million of the proceeds were used after the year end to redeem bonds and terminate the associated interest rate swaps. Since the year end, the fund has made further disposals at Aberdeen and Preston, as disclosed in note 35 to the financial statements, and continues to consider potential sales in line with the objective of maintaining a core portfolio of larger, dominant secondary centres in advance of the bond refinancing. The capital expenditure in The Mall relates primarily to significant developments in Luton and Blackburn, which have been covered by cash retained in the fund.

- The Junction made three disposals during the year, including the retail parks in Aberdeen and Slough, which were sold in December 2009 for £81.7 million at a net initial yield of 8.6%. The fund also sold a non-core industrial property at Victory Industrial Estate, Portsmouth in April 2009 for £1.6 million at a net initial yield of 9.3%. The proceeds of the sales were used to pay down bank debt.

- X-Leisure sold the O2 Centre, Finchley Road in April 2009 for £92.5 million at a net initial yield of 7.8%. The proceeds of the sale were used to pay down bank debt. Since the year end, it has also sold its Croydon property as disclosed in note 35 to the financial statements.

- There were no disposals from the German portfolio, though since the year end two non-core properties have been sold for £6.0 million as disclosed in note 35 to the financial statements. These sales were made for tactical reasons and are not expected to have any positive or negative impact on the valuation of the rest of the portfolio. The majority of the proceeds have been used to pay down bank debt.

- The Group sold its remaining interest in the Cardiff joint venture to its joint venture partner in May 2009 for £1.2 million at an estimated contracted net initial yield of 5.9%.

Since the year end, the Group has also sold its wholly owned properties at Beeston Place and 10 Lower Grosvenor Place. The latter is not included in property under management as it is owner-occupied.

The split of the £3.1 billion property under management by sector is as follows:

Property under management

Financial review continued

Key performance indicators – investment returns

Investment returns are driven primarily by the net asset value of the Group as shown in the balance sheet. To provide a greater understanding of the business, the Group presents its balance sheet in three ways:

- the enterprise balance sheet shows everything the Group manages;
- the "see-through" balance sheet shows the Group's economic exposure to the different property portfolios; and
- the statutory balance sheet follows the accounting and statutory rules.

Three balance sheets as at 30 December 2009	Enterprise £m	See-through £m	Statutory £m
Fund properties			
The Mall	1,391	233	33
The Junction	552	74	26
X-Leisure	512	61	18
Joint venture properties			
Germany	532	268	32
Other joint ventures*	108	41	(2)
Wholly owned properties			
Great Northern, Hemel Hempstead and others	94	94	94
Total property	3,189	771	201
Working capital etc	109	(8)	9
Debt	(2,588)	(633)	(80)
Net assets	**710**	**130**	**130**
C&R shareholders	130	130	130
Fund and other joint venture investors	580		
Total equity	**710**	**130**	**130**

* The statutory figure reflects the impairment of the Group's loan to the Braehead joint venture.

Basic NAV per share is £0.37 on a triple net basis, down from £1.33 (restated) at December 2008. As described in more detail below under the commentary on profitability, the major causes of this movement were:

- the adverse shift in valuation yields which led to losses on revaluation and on disposal of investment properties;
- the one-off impact of the open offers in The Junction and X-Leisure and the dilution following the Group's decision not to participate fully; and
- the impact of the firm placing element of the Capital Raising, which increased the number of shares in issue. Under accounting rules, we are required to restate the 2008 NAV per share, which was previously reported as £2.67, to reflect only the open offer element of the Capital Raising.

The Group contributed £0.6 million to The Junction's capital raise out of a possible £17.4 million and as a result its share in the fund fell from 27.3% to 13.4%, creating a deemed disposal loss of £2.8 million in May 2009. Under the terms of the open offer, adjustments can be made until May 2010 to the price at which new units were issued, to reflect the recoverability of debtors and the expected costs of certain remedial works. A further impairment of £0.4 million has been made to the value of the Group's investment in The Junction at the year end to reflect the expected impact of these adjustments, at which level the Group's share in the fund would be reduced to 13.2%.

The Group contributed £4.0 million to X-Leisure's capital raise out of a possible £9.7 million and as a result its share in the fund fell from 19.4% to 11.9%, creating a deemed disposal loss of £4.4 million in July 2009.

Foreign exchange hedging

The Group uses forward contracts to hedge against changes in exchange rates in relation to its investment in the German joint venture. Following the strengthening of sterling against the euro in January and February 2009, the cash settlement on the termination of the hedge was £8.7 million compared with its year end valuation as a liability of £14.2 million.

A new forward contract for €47 million was entered into at the same time and at year end this was valued as a liability of £1.4 million. Since the year end, the strengthening of sterling against the euro allowed the Group to extend the hedge to April 2011 at nil cost. At this level, the Group's investment is 89% (2008: 94%) hedged.

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

Key performance indicators – profitability

Recurring pre-tax profit

The Group's recurring pre-tax profit is derived from its two segments, being:

- **Asset businesses:** comprising its share of the net rent less net interest arising from interests in associates, joint ventures and wholly owned entities, in both the UK and Germany.
- **Earnings businesses:** comprising property management fees less fixed overheads, including those generated by X-Leisure Limited, and the operating profit from the Group's SNO!zone business.

As shown in note 2 to the financial statements, the breakdown of recurring pre-tax profit by segment was as follows:

	Year to 30 December 2007 £m	Year to 30 December 2008 £m	Six months to 30 June 2009 £m	**Year to 30 December 2009 £m**
Property investment UK	10.2	6.1	3.4	**4.5**
Property investment Germany	9.6	11.1	3.1	**5.8**
Managing property funds	10.8	8.9	2.7	**6.2**
SNO!zone	2.1	1.5	1.1	**1.0**
Recurring pre-tax profit	32.7	27.6	10.3	**17.5**

- **Property investment:** the Group earns profits from its share of the net rental income less net interest payable in its investments. The cost of managing its wholly owned investment and trading properties is allocated to the property investment business.

The fall in UK profit reflects the sale of properties from the funds and the dilution of the Group's interest in The Junction and X-Leisure during the year, which caused Property Investment UK Contribution to fall from £11.8 million to £10.4 million. During the year, the three main UK funds did not make distributions but retained cash to cover committed development costs and to maximise their financial flexibility in the light of falling valuations. With the recovery in values in the last quarter of 2009, The Junction and X-Leisure expect shortly to be in a position to resume distributions.

The fall in profit from the German portfolio reflects the sale of half of the business to AREA in October 2008. The prior year comparatives represent 100% of the portfolio for three quarters while the current year figures include only 50%.

- **Managing property funds:** a subsidiary of the Group, Capital & Regional Property Management Limited ("CRPM"), earns fees from managing The Mall and The Junction funds and certain joint ventures and wholly owned properties.

  CRPM also owns 50% of X-Leisure Limited, which was established as part of the X-Leisure fund's open offer as a joint venture with Hermes, integrating the asset, property and non-FSA regulated fund management activities carried out for the X-Leisure fund by the joint venture partners. Hermes continue to act as operator of the fund, responsible for FSA-regulated fund management activities. X-Leisure Limited was appointed property and asset manager for the X-Leisure fund with effect from 18 August 2009 and the relevant CRPM staff transferred to the new entity on this date.

  The property management business generated profits for the Group as follows:

	Year to 30 December 2007 £m	Year to 30 December 2008 £m	Six months to 30 June 2009 £m	**Year to 30 December 2009 £m**
Asset management fees	18.6	14.9	5.5	**8.9**
Service charge fees	4.4	4.9	2.2	**4.1**
Other fees	3.0	3.0	1.2	**4.1**
Fixed overheads*	(15.2)	(13.9)	(6.2)	**(10.9)**
CRPM recurring profit	10.8	8.9	2.7	**6.2**
Performance fees	(52.8)	(9.9)	–	**–**
Variable overheads	7.9	0.1	(0.1)	**(0.3)**
Impairment of goodwill	–	(8.0)	(1.0)	**(1.6)**
Other non-recurring items	–	(5.6)	(0.8)	**(0.5)**
(Loss)/profit before tax	(34.1)	(14.5)	0.8	**3.8**

* Excluding overhead allocated to property investment business.

Asset management fees were predominantly calculated on the value of property under management and hence declined over the year as they had in 2008 as a result of falling valuations and disposals in all three funds. The creation of X-Leisure Limited also led to a fall in income as asset and property management fees from the X-Leisure fund were split with the joint venture partner from this date, though this was partially offset by the benefit of the joint venture's share of fund management income.

These falls were partially offset by a cost reduction programme, saving over £3.5 million in 2009, and these initiatives together with further efficiencies such as the move to new offices will result in further cost reductions in 2010. The non-recurring items include the costs of redundancies under this programme. In addition, the costs of the X-Leisure division were shared with the joint venture partner in X-Leisure Limited from August 2009 onwards.

CRPM and X-Leisure Limited have management contracts with the three funds that determine how fees are calculated and over what period they can be earned. Certain of these arrangements were renegotiated in the year to secure them for the long term, and the main features are now as follows:

- The Mall fund's expiry date is 30 June 2012 if not extended to 30 June 2017 following a continuation vote of unit holders in June 2011. CRPM's management contract has the same termination date as the fund (including any extension) and cannot be terminated earlier than 31 December 2012 for performance returns falling short of a specified benchmark. To date, asset management fees have been calculated as a percentage of property under management but discussions are under way to change the basis of calculation, potentially to a fixed fee.
- The Junction fund has an effective termination date of 31 July 2013. CRPM's management contract has the same termination date as the fund and cannot be terminated early for performance returns falling short of a specified benchmark. Following the fund's open offer, asset management fees were fixed at £1.0 million per annum for the first two years of the term of the agreement and from May 2011, the greater of £0.85 million and 2.5% of net operating income from that date. The Group also receives service charge income which in 2009 was £0.3 million (2008: £0.3 million).
- The X-Leisure fund has a termination date of 31 December 2014 which may potentially be extended up to 31 December 2021 by a combination of fund manager recommendation and a continuation vote. The management contract has the same termination date as the fund (including any extension) and cannot be terminated earlier than 31 December 2013 for performance returns falling short of a specified benchmark. Asset management fees are now fixed at £3.4 million per annum, reducing by £100,000 each year for five years from 1 July 2010 until they reach £2.9 million. This reduction will be offset (but cannot be reduced further) by an annual payment to X-Leisure Limited equal to 4% of the cumulative increase/decrease in the net income of the portfolio.

CRPM has historically earned significant performance fees from the UK funds, which were repayable in the event of underperformance in the following two years. All clawback of historic performance fees was fully recognised in 2008 and no performance fees have been recognised in 2009. Under the contractual agreements discussed above, future performance fees may be earned as follows:

- For The Mall, fees have historically been calculated annually on any outperformance over a three-year period compared to a defined IPD benchmark and an absolute 12% hurdle return. Fees can be positive or negative, but negative fees are capped at the amount received over the previous two years. Given the significant falls in property values it is unlikely that any fees would arise in the next few years. As part of the discussions for changing the basis of management fees, it is likely that the basis for performance fees will change to provide greater

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incentive to create value and thereby align the interests of investors and the property and asset manager.

- For The Junction, fees are now calculated based on performance from completion of the fund's open offer in May 2009 to the disposal of the entire portfolio or on the expiry of the fund. CRPM's fee will be earned on any realised geared returns in excess of an internal rate of return of 15% per annum.

- For X-Leisure, fees are calculated on a cumulative basis over the period from completion of the fund's open offer in August 2009 to the earlier of disposal of the entire portfolio on the expiry of the fund or its conversion into a listed structure. X-Leisure Limited's fee will be calculated on any geared returns in excess of an internal rate of return of 15% per annum, less any interim performance fee. If the portfolio falls to nine properties or fewer, an interim performance fee will be calculated for the sold properties on the same basis.

- **SNO!zone** is the UK's premier real snow indoor ski slope operating business, based at three sites in properties owned by the X-Leisure fund at Milton Keynes and Castleford, and in a property owned by a 50:50 joint venture with Capital Shopping Centres at Braehead. SNO!zone's contribution to the Group's profits was as follows:

	Year to 30 December 2007 £m	Year to 30 December 2008 £m	Six months to 30 June 2009 £m	**Year to 30 December 2009 £m**
Income	14.3	14.9	7.3	**13.7**
Cost of sales and operating expenses	(11.5)	(13.1)	(6.1)	**(12.4)**
Cash profit	2.8	1.8	1.2	**1.3**
Tenant incentives	(0.7)	(0.3)	(0.1)	**(0.3)**
Accounting profit	2.1	1.5	1.1	**1.0**

Turnover has fallen across the three sites in 2009, reflecting the state of the economy and increased competition from new operators and venues, so despite cost savings the level of profit has fallen from 2008.

Loss before tax

The pre-tax loss for the year was £113.4 million (2008: loss of £516.3 million). The losses arose primarily in the first half of the year with a small profit for the second half as follows:

	Year to 30 December 2007 £m	Year to 30 December 2008 £m	Six months to 30 June 2009 £m	**Year to 30 December 2009 £m**
Recurring pre-tax profit	32.7	27.6	10.3	**17.5**
Revaluation of investment and trading properties	(164.4)	(397.4)	(133.2)	**(110.5)**
Performance fees	(52.8)	(9.9)	–	**–**
Gain/(loss) on disposal	1.6	(42.3)	(2.8)	**(9.4)**
Deemed disposal	–	(28.8)	(2.9)	**(7.2)**
Revaluation of financial instruments	(7.0)	(47.8)	0.8	**0.3**
Other non-recurring items	22.9	(17.7)	(3.0)	**(4.1)**
Loss before tax	(167.0)	(516.3)	(130.8)	**(113.4)**
Tax	0.2	14.1	(3.9)	**(6.3)**
Loss for the year	(166.8)	(502.2)	(134.7)	**(119.7)**

The main factors behind this loss in the year were:

- Further significant revaluation losses and losses on disposals across the Group's portfolio, reflecting valuation movements in the overall property investment market in both the UK and Germany. As described in the Operating Review, the key driver behind these movements was outward yield shift in the first three quarters of the year, which was partly reversed in the last quarter.

- Deemed disposals that represented the dilution caused by the Group's decision not to participate fully in the open offers in The Junction and X-Leisure funds.

The other non-recurring items include impairments and one-off expenses. These items are described in more detail in note 2 to the financial statements.

Tax

The Group tries to ensure that its corporate structure remains as tax efficient as possible under current legislation. During 2009 there was a current tax charge of £3.7 million and a deferred tax charge of £2.6 million, reflecting additional liabilities in respect of prior years and the reversal of certain deferred tax assets carried against the liability for interest rate swaps.

In previous years, the Group has carried a significant provision for tax that crystallised during 2009 following the outcome of litigation between HMRC and another taxpayer as described in note 10 to the financial statements. Since the year end, the amount payable has been agreed with HMRC alongside a deferred payment plan.

The Group has significant tax losses which may be available for offset against future profits but the majority have not been recognised because of the unpredictability of future profit streams and other restrictions on the potential utilisation of the losses.

Key performance indicators – net debt

The overriding priority for the Group during the year was to stabilise the financial position of both the Group itself and the funds and joint ventures in which it has investments. This was achieved primarily through the various capital raisings, both at the Group level which paid off the balance outstanding on the central facility and through open offers in The Junction and X-Leisure funds, which paid down debt.

At the same time as these capital raisings, the Group and fund level debt facilities were renegotiated, with the proceeds of property disposals in the funds (and subsequent to the year end, from the Group's wholly-owned properties) and the cessation of distributions also used to pay down debt. A summary of the movements in Group and off balance sheet debt in the year is as follows:

	Group debt £m	Off balance sheet debt £m	**See-through debt £m**
As at 30 December 2008	112.6	723.6	**836.2**
Property disposals	–	(43.2)	**(43.2)**
Open offers in The Junction and X-Leisure	4.6	(112.4)	**(107.8)**
Other net drawdowns	15.5	1.1	**16.6**
Capital Raising	(52.3)	–	**(52.3)**
Other movements*	–	(16.7)	**(16.7)**
As at 30 December 2009	80.4	552.4	**632.8**

* Including foreign exchange movements.

The Group and the three UK funds were compliant with their principal banking covenants at 30 December 2009. The Braehead joint venture debt facility was non-compliant with its LTV covenant based on its year end valuation and there was a minor issue with the Castleford facility in the X-Leisure fund, both of which are being resolved.

In the German joint venture, one of the facilities only satisfies its LTV covenant because it is measured (with the agreement of the lender) against its December 2008 valuation. The shortfall that would arise if the covenant was tested against the December 2009 valuation can be met from the cash flows of the existing business without recourse to an equity contribution from the Group. The remaining German facilities were compliant with their banking covenants at the year end.

Further reductions in debt levels have taken place in 2010 to date, with the sale of the Group's wholly owned 10 Lower Grosvenor Place and Beeston Place properties, while in the funds The Mall has used the proceeds of the Bexleyheath sale in December 2009 to repay £59 million of its bonds and is expected to pay down further debt from the £134 million proceeds of the Aberdeen and Preston sales. X-Leisure will also be able to pay down debt from the £33 million proceeds of the Croydon sale.

Group debt

During the year, Group debt fell from £113 million to £80 million, largely as a result of the repayment of the central facility following the Capital Raising. Off balance sheet debt also fell from £724 million to £552 million, the result of both the repayment of debt with the proceeds of property sales and the open offers in The Junction and X-Leisure, but also as part of the dilution of the Group's holding in these funds.

The breakdown of Group debt and net debt (which reflects the benefit of cash held in the Group's central and property-specific bank accounts) at the end of the year was as follows:

	Debt at 30 December 2009 £m	Average interest rate* %	Fixed %	Duration of fixing (years)	Duration to loan expiry (years)
Core revolving credit facility	**–**	4.11	–	–	3.7
Great Northern debt	**65.2**	6.21	94	3.8	3.8
Hemel Hempstead debt	**7.8**	3.34	–	–	2.8
10 LGP debt	**7.4**	3.61	–	–	1.3
Group debt	**80.4**	5.69	76	3.8	3.4
Cash and cash equivalents	**(17.5)**				
Group net debt	**62.9**				

* In the case of variable rate loans, based on LIBOR as at 30 December 2009 plus the appropriate margin.

In August and September 2009, all of the Group debt facilities were refinanced alongside the Capital Raising. A waiver of the covenants on the core revolving credit facility had been agreed in June 2009 to allow time for these negotiations to complete.

- **The core revolving credit facility** was reduced from £125.5 million to £58.0 million and the term of the loan was extended from February 2011 to September 2013. The interest margin was also increased from 1.4% to 3.5%, reducing to 3.0% over time in line with the amount of headroom on the asset cover covenant, which now includes part of the Group's investment in the German joint venture as well as its units in The Mall, The Junction and X-Leisure funds.

  The proceeds of the Capital Raising were used to pay down the entire balance of £48.6 million drawn on the facility. Loan arrangement costs of £2.0 million were paid in connection with this transaction with a further £0.2 million deferred until March 2010. Under accounting rules these costs were written off through the income statement as a non-recurring item in 2009.

  The repayment of the principal meant the interest rate swaps connected with this facility were no longer required so they were cancelled during the year at a cost of £2.9 million. At year end the central facility remained undrawn and the Group held a further £13.4 million of cash in its central bank accounts.

  Under the terms of the renegotiation, the limits on the covenant tests remained unchanged. The results of the tests at the year end were as follows:

	Covenant	**30 December 2009**	30 December 2008
Asset cover	Greater than 200%	**n/a**	738%
Gearing	Less than 200%	**12%**	38%
Interest cover	Greater than 150%	**896%**	462%

- **The Great Northern facility** was reduced from £71.3 million to £65.5 million and the term of the loan was extended from October 2010 to October 2013. The interest margin was also increased from 1.0% to 2.0% and the LTV covenant was raised from 75% to 100% until December 2012, after which it will reduce to 90% until June 2013 and 80% thereafter.

	Covenant	**30 December 2009**	30 December 2008
LTV	100%	**91%**	91%
ICR	Greater than 135%	**153%**	148%

A £1.0 million repayment of principal and loan arrangement costs of £1.5 million were paid in connection with this transaction, and any excess cash in the borrowing company is now used to amortise the loan each quarter, with a 1% exit fee also due on final repayment. The costs have been capitalised and will amortise over the life of the loan. The swaps associated with the loan were also amended in line with the revised loan balance and amortisation schedule, but no fees were payable for this element of the transaction.

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- **The Hemel Hempstead facility** term was extended from September 2009 to September 2012. The interest margin was increased from 0.8% to 3.0% until November 2009, when it reduced to 2.75%, and will fall further to 2.5% in August 2010. The previous 75% covenant was replaced by an LTV holiday until February 2011, with a reduction in the LTV to 70% from February 2012. The ICR covenant was increased from 100% to 150%.

	Covenant	**30 December 2009**	30 December 2008
LTV	n/a	**n/a**	79%
ICR	Greater than 150%	**324%**	138%

A £0.9 million repayment of principal and loan arrangement costs of £0.1 million were paid in connection with this transaction, and any excess cash in the borrowing company is now used to amortise the loan each quarter. The costs have been capitalised and will amortise over the life of the loan.

A second repayment of principal of £1.0 million took place in November 2009 and further payments of £0.5 million are required in August 2010, February 2011 and August 2011. The swap connected with this loan expired during the year and has not yet been replaced, so the loan bears interest at variable rates.

- **The 10 Lower Grosvenor Place facility** was reduced from £10 million to £7.4 million and the term of the loan was extended from October 2009 to March 2011. The interest margin was increased from 1.0% to 3.0%. The LTV covenant remained at 80% with no ICR. At the end of the year the LTV was 74% (2008: 79%).

A £0.6 million repayment of principal and loan arrangement costs of £0.1 million were paid in connection with this transaction. The loan remained at variable rates as in prior years. As described in note 35 to the financial statements, 10 Lower Grosvenor Place was sold and the loan repaid in full on 2 March 2010. The arrangement costs, which had been capitalised in 2009, have also been written off in 2010 as a result of this disposal.

As shown in note 23a to the financial statements, the effect of these changes in net debt resulted in a fall in the net debt to equity ratio from 58% to 48% over the course of 2009.

Off balance sheet debt

The breakdown of off balance sheet debt at the end of the year was as follows:

	Debt at 30 December 2009 £m	Average interest rate %	Fixed %	Duration of fixing (years)	Duration to loan expiry (years)
The Mall (16.7% share)	**208.4**	5.01	100%	2.3	2.3
The Junction (13.4% share)	**50.3**	7.56	100%	4.3	4.3
X-Leisure (11.9% share)	**42.3**	7.07	100%	4.1	4.1
German joint venture (48.8% share)	**212.6**	4.68	100%	1.7	2.9
Other JVs and associates (30%-50% share)*	**38.8**	5.70	91%	1.4	3.3
	552.4	5.32	99%	2.3	2.9

* Excluding FIX UK where the Group has written down its investment to £nil.

- **The Mall** is funded entirely by bonds maturing in April 2012. The fund has been actively managing the challenge posed by this refinancing, reducing debt through opportunistic asset sales (totalling £232 million in the last quarter of 2009 and first quarter of 2010), and retaining cash by suspending distributions and stopping non-essential and uncommitted capital expenditure. Discussions are under way with bondholders regarding the options for refinancing, with the objective of reaching agreement well in advance of the continuation vote in 2011.

At 30 December 2009, £1,246 million (2008: £1,246 million) was outstanding under the bonds but since the year end a further £59 million has been repaid with the proceeds of the Bexleyheath sale in December 2009, in line with the prescribed formula in the bond agreement. The balance will be further reduced with the proceeds of the Aberdeen and Preston sales.

In terms of covenants, the only LTV restriction is in the partnership deed which operates on an "incurrence basis". No remedy is required for a breach of the LTV limit although no additional borrowing can take place until the LTV falls back below 60%.

	Covenant	**30 December 2009**	30 December 2008
LTV	n/a	**78%**	66%
ICR	Greater than 130%	**167%**	195%

- **The Junction** used the proceeds of its property sales and £60 million from its open offer to pay down debt on its bank facility.

As part of a refinancing agreement connected to the open offer, the size of the facility was reduced from £625 million to £455 million and the life extended from April 2011 to April 2014. The LTV covenant was increased from 70% to 90% until September 2010, then reducing in tiers to 65% at September 2012 with the level of margin linked to the level of the LTV covenant. The interest cover covenant on the facility was increased under the refinancing from 127.5% to 130% until June 2012, when it will increase further to 135%.

	Covenant	**30 December 2009**	30 December 2008
LTV	90%	**65%**	69%
ICR	Greater than 130%	**143%**	161%

The reduction of debt from property sales and the recovery in property valuations resulted in the year end LTV falling to a level at which the fund is expecting to restart distributions. This also removes the cash sweep and reduces the level of margin payable by 0.75% to 2.25% with immediate effect from the start of 2010.

- **X-Leisure** repaid debt on its central syndicated facility with £87 million of the proceeds from the sale of the O2 Centre and £37 million of the proceeds from its open offer.

As part of a refinancing agreement connected to the fund's open offer, the size of the central syndicated facility was reduced from £415 million to £300 million and the term extended from March 2012 to March 2014. The LTV covenant was increased from 70% to 90% until December 2010, then reducing in tiers to 65% at July 2013. A cash sweep also operates while the LTV is above 65%. The interest cover covenant on the facility remains at 130% until March 2012, when it will increase further in tiers to 150% at April 2013.

	Covenant	**30 December 2009**	30 December 2008
LTV	90%	**68%**	70%
ICR	Greater than 130%	**168%**	177%

The central facility was subsequently extended to finance the fund's Brighton Marina asset. The separate facilities on the Milton Keynes and Castleford properties were also renegotiated during the year with increased LTV covenants and cash sweeps.

The Castleford facility was in breach of its ICR covenant at year end but this could be remedied with a £40,000 deposit of cash held elsewhere in the X-Leisure fund with the bank.

- **The German portfolio** is financed by euro-denominated facilities with six banks totalling €482.1 million (2008: €484.2 million). At the prevailing year end exchange rates this was equivalent to £435.8 million (2008: £468.1 million).

  The Group's €5 million working capital facility to the German joint venture was undrawn at year end (2008: €nil).

  Apart from the LTV issue noted above, all LTV and ICR covenants on the German debt were met at the year end. The LTV covenant on one other facility is close to its limit but it too could be remedied if it went into breach using cash that is either currently held or can be generated in future by the relevant joint venture company.

  Credit committee approval has been granted for the refinancing of the loans that mature in 2010. The Bank of Scotland €40 million (2008: €46.5 million) facility has been extended from June 2010 to December 2013 and the two Eurohypo facilities totalling €65 million (2008: €65 million) have been extended from June 2010 to December 2013.

- **Other JVs and associates** include the investments in Braehead, the MEN Arena and FIX UK, whose loans are non-recourse to the Group.

  In the case of Braehead, the bank has agreed to an extended cure period for the LTV breach to 31 March 2010. Discussions with the bank are well progressed and an agreement is likely to require an injection of equity from the Group and its joint venture partner into the joint venture as part of a renegotiation of the facility.

  The bank has not called for a valuation of the MEN Arena given the current sale negotiations. If they were to call for a valuation and the loan were to breach, the partnership holds sufficient cash to repair the breach.

  FIX UK was at risk of breaching its LTV covenant but has now agreed a refinancing package with its banks, including an 18 month LTV waiver. The Group agreed to contribute £1.1 million as its share of new equity in connection with this refinancing and this was injected after the year end as disclosed in note 35 to the financial statements.

Interest rate hedging

The majority of loans, both at Group level and in the funds and joint ventures, are covered by interest rate swaps. The effect of these swaps is to fix the amount of interest payable on the loans and low base rates meant they continued to be valued as liabilities at the end of 2009. Over the course of the year, rising expectations of future sterling interest rates have reduced this loss, creating a gain in the income statement, but falling euro interest rates have partially offset this with a loss on the swaps in the German joint venture.

At the year end, the see-through valuation of the Group's swaps is a liability of £28.7 million (2008: £39.6 million). The recognition of this liability is required by accounting standards but it should be noted that it will not be crystallised unless the underlying swaps are closed out. During the year, the repayment of debt in The Mall, The Junction and X-Leisure required the termination of swaps at a total cost to the funds of £11.8 million.

Key performance indicators – dividends

During the year, the Company obtained Court approval to convert its share premium account into distributable reserves. As a consequence, £141.0 million of the reduced capital was used to offset the deficit on the profit and loss account but the balance of £79.5 million is currently still held in a non-distributable special reserve pending consent from all of the Company's creditors at the time of the reduction. We expect that it will be possible to convert the remaining balance into distributable reserves at some time in 2010. In the meantime, the Capital Raising was structured such that the premium on the issue of new shares could be held in a merger reserve and treated as distributable. As a result, the Company will have distributable reserves once its 2009 financial statements are filed.

The Board is committed to resuming dividend payments when it considers it prudent to do so, but future payments will normally be linked for the foreseeable future to the Group's cash generating ability and will be restricted to not more than 50% of operating cash flow less interest and tax. Dividends in excess of this amount would require the approval of the Group's principal bank to comply with the terms of its central facility. As mentioned in the Chairman's statement it has been decided that no dividend should be paid for 2009.

Charles Staveley
Group Finance Director

Asset and property management

The C&R Retail team From left: Ken Ford, Mark Bourgeois, Gaynor Gillespie, Jo Lord, Patrick Smith

The Group's core earnings business is Capital & Regional Property Management Limited (CRPM), which employs the Group's specialist asset and property management teams. It holds the management contracts with The Mall, The Junction and the German joint venture, which generate a regular stream of fee income to cover the cost of the specialist teams and corporate overheads. It also holds the Group's investment in X-Leisure Limited.

CRPM employed 98 staff at the year end across two main divisions: C&R Retail, which manages The Mall and The Junction, and C&R Germany, which manages the German joint venture. This compared with 170 staff at the end of 2008, though this figure included the C&R Leisure division whose staff are now employed directly by X-Leisure Limited.

C&R Retail was formed in 2008 with the merging of our divisional teams. This unification into an integrated specialist retail management platform has succeeded as expected, delivering both operational and market synergies to our existing mandates and also enabling the swift and professional appraisal of new prospects. This scaleable platform will enable the delivery of the Group's future growth plans.

Retail

The Mall

The Mall fund is a specialist UK mid-market community shopping centre brand, owning 19 properties at 30 December 2009 with a total floor space of approximately 7 million sq ft.

The fund is run by CRPM as asset and property manager with Aviva Investors fulfilling the regulated fund management role. Investors hold units in a Jersey Property Unit Trust (JPUT) which allows exposure to a diversified portfolio of properties without direct investment and the ability to transfer units without incurring Stamp Duty Land Tax. The Group holds a 16.7% interest in the fund.

The fund's investment criteria are as follows:

- Town Centre locations
- Dominant in localised town catchments
- Minimum of 250,000 sq ft lettable area
- Car park and public transport facilities
- Covered or able to be
- Tenant profile, mass market or value retail
- Revenue and capital growth potential

Strategy

The fund's strategy remains focused on reducing debt and gearing levels to enable refinancing by 2012.

The fund has built on the previous year's capital raise and sales programme with the sale of Bexleyheath in December 2009, and two further sales in Aberdeen and Preston in the first quarter of 2010. In parallel with this sales programme, management remains focused on protecting income by a realistic approach to fulfilling occupier demand and continuing to deliver value for money, service charges and marketing campaigns in an effort to support retailers' turnover and net margins.

With the recent improvement in the direct investment market, the fund continues to consider the sale of non-core assets as part of the ongoing debt reduction programme.

At the asset level, consumer demand held up well during 2009, which produced some stability for retail customers, but there is concern over the impact of the anticipated fiscal measures on disposable incomes in the short to medium term.

We believe that with an appropriate level of investment the core Mall portfolio, being both locally dominant and value orientated, should continue to show relative resilience.

The Mall key statistics

	At 30 December 2009	At 30 December 2008
Gross property asset value	**£1,317m**	£1,692m
Number of properties	**19***	21
Number of units	**2,151**	2,198
Initial yield	**7.79%**	7.13%
Equivalent yield	**9.14%**	8.50%
C&R share	**16.7%**	16.7%
Total debt (excluding amortised costs)	**£1,246m**	£1,246m

* Including two properties sold since the year end.

Top ten tenants by rental income (2009)

	Units	%
Alliance Boots	25	3.83
Arcadia	29	3.15
Debenhams	7	2.81
New Look	15	2.18
Superdrug	14	2.18
Clinton Cards	28	2.02
Peacocks	15	2.00
Argos	11	1.83
WH Smith	12	1.80
HMV	13	1.80

The Junction

The Junction is a specialist retail park fund, owning nine retail parks, one development site and one non-core industrial property at 30 December 2009 with a total floor space of approximately 2.7 million sq ft. It specialises in mixed use retail parks embracing a variety of uses including food, DIY, homewares, electrical goods and general high street retailers. The Group holds a 13.4% share in the fund.

The fund's investment criteria are as follows:

- minimum 80,000 sq ft multi-let retail park, freehold or long leasehold;
- planning consent for open A1 bulky goods or mixed thereof;
- asset management opportunities; and
- either dominant scheme in local catchment or the ability to become so.

2009 saw a refinancing of the fund with a £63.6 million equity raise supported by Area Property Investors, while at the same time integrating the external management services supplied to the fund by CRPM and Aviva Investors. As with The Mall, investors hold units in a Jersey Property Unit Trust (JPUT) with the same potential investment and tax advantages .

Strategy

A core strength of the CRPM management team is long-standing retailer relationships. This informs the business decisions which maintain and maximise the revenue focus of all our funds and is the foundation of our business strategies. However, with the improvement in the investment market being most marked in retail warehousing, the fund capitalised by disposing of two of the predominantly bulky goods parks, in Aberdeen and Slough, where the prospects for further added value management was limited.

With the successful equity raise, the fund's capital structure is stabilised and management is focused on business plan delivery. The fund continues to review the portfolio in response to continuing improvement in the investment market against the general economic uncertainties predicted for the latter part of the year.

The Junction key statistics

	At 30 December 2009	At 30 December 2008
Gross property asset value	**£572m**	£734m
Number of properties (core)	**9**	11
Number of units	**168**	195
Initial yield	**6.43%**	6.06%
Equivalent yield	**7.58%**	7.03%
C&R share	**13.4%**	27.3%
Total debt (excluding amortised costs)	**£375m**	£507m

Top ten tenants by rental income (2009)

	Units	%
B&Q	4	15.5
DSG	7	8.2
Home Retail Group	6	7.1
Comet	5	5.7
NBC Apparel (TK Maxx)	4	3.9
Carpetright	6	3.7
Tesco	2	3.3
Homestyle Operations	5	2.8
DFS	2	2.6
Dave Whelan Sports	2	2.4

Asset and property management continued

The Mall locations

- Aberdeen*
- Barnsley
- Blackburn
- Bristol
- Camberley
- Falkirk
- Gloucester
- Ilford
- Luton
- Maidstone
- Middlesbrough
- Norwich
- Preston*
- Romford
- Southampton
- Sutton Coldfield
- Uxbridge
- Walthamstow
- Wood Green

* Sold since the year end

The Mall properties

Property	Description	Size (sq ft)	Car park spaces	Principal occupiers	Units
Valued at £125m plus					
The Mall, Luton	Leasehold covered shopping centre on two floors, offices extending to over 65,000 sq ft	956,000	2,300	Debenhams, Boots, Primark, Next, Top Shop and Top Man, Marks & Spencer, Wilkinsons, River Island, Superdrug	163
The Mall, Wood Green	Freehold, partially open shopping centre, on two floors with nearly 40,000 sq ft of offices	590,000	1,500	Cineworld, TK Maxx, Wilkinson, Peacocks, H&M, HMV, Boots, Argos, WH Smith, New Look, Primark	158
Valued at £75m to £125m					
The Mall, Blackburn	Leasehold partially covered shopping centre on three floors	609,000	1,078	Debenhams, Tesco, Boots, Argos, Next	141
The Mall, Maidstone	Freehold covered shopping centre on three floors with offices extending to 40,000 sq ft	553,000	1,050	Boots, BHS, TJ Hughes, Wilkinson	122
The Mall, Middlesbrough	Freehold single level covered shopping centre with offices extending to over 50,000 sq ft	424,000	550	Boots, BHS, WH Smith, Top Shop, New Look, H&M	95
The Mall, Norwich	Freehold covered shopping centre on six floors	371,000	800	Argos, Boots, TK Maxx, Mothercare, New Look, Vue Cinemas	132
The Mall, Preston*	Freehold covered shopping centre on three floors	287,000	400	Marks & Spencer, H&M, Superdrug, New Look, Wallis, Vision Express, Peacocks, WH Smith	117
The Mall, Sutton Coldfield	Freehold partially open shopping centre on a single level with offices extending to approximately 30,000 sq ft	550,000	960	House of Fraser, BHS, Marks & Spencer, Boots, Argos, WH Smith	132
Valued at £75m or less					
The Mall, Aberdeen*	Freehold single level covered shopping centre	190,000	400	Debenhams, Argos, HMV, Superdrug, Waterstones	37
The Mall, Barnsley	Leasehold covered shopping centre on two floors	180,000	519	TK Maxx, Wilkinson, Next, Primark	49
The Mall, Bristol	Leasehold covered shopping centre on three floors	350,000	1,000	TK Maxx, Boots, Argos, WH Smith, Waterstones	165
The Mall, Camberley	Part leasehold covered shopping centre on one floor	398,000	1,040	Argos, Boots, Sainsbury's , Next, River Island, House of Fraser, Primark	188
The Mall, Falkirk	Freehold covered shopping centre on two floors	170,000	400	Marks & Spencer, Debenhams Desire, Argos, River Island, HMV, New Look, Superdrug	74
The Mall, Gloucester	Leasehold covered shopping centre on two floors	187,000	400	H&M, Marks & Spencer, Republic, Sports Soccer	73
The Mall, Ilford	Freehold covered shopping centre on three floors	294,000	1,200	Marks & Spencer, Debenhams, HMV, TK Maxx, New Look, WH Smith	108
The Mall, Romford	Leasehold covered shopping centre on three floors	180,000	1,000	Asda, Wilkinson, Peacocks, McDonalds, Toni & Guy, Superdrug	56
The Mall, Southampton	Freehold covered shopping centre on two floors	202,000	810	Matalan, Poundland, CEX	95
The Mall, Uxbridge	Leasehold single level covered shopping centre with 40,000 sq ft of offices	482,000	1,150	Marks & Spencer, Tesco, TK Maxx, Peacocks, Wilkinson, Argos	123
The Mall, Walthamstow	Freehold covered shopping centre on two floors	260,000	870	Asda, BHS, Boots, Dixons, HMV, Top Shop, Top Man	72

* Sold since the year end.

The Junction locations

Aylesbury
Bristol
Hull
Maidstone
Oldbury
Paisley
Portsmouth
Renfrewshire
Swansea
Telford Forge
Thurrock

The Junction properties

Property	Description	Size (sq ft)	Car park spaces	Principal occupiers	Units
Valued at above £100m					
The Junction West Thurrock Retail Park, Essex	Open A1 non-food & leisure retail park	556,000	2,398	Best Buy, Decathlon, M&S Outlet, Asda Living, TK Maxx, Furniture Village	31
Valued at £50m to £100m					
The Junction Cambridge Close Retail Park, Aylesbury	Bulky retail warehouse park	199,000	650	Wickes, Comet, Argos, Sportsworld	17
The Junction Imperial Park, Bristol	Mixed bulky and open A1 non-food retail warehouse park	339,000	1,200	B&Q, Tesco Home Plus, Next, JJB, Argos	21
The Junction St Andrew's Quay, Hull	Bulky retail warehouse park	351,000	1,315	B&Q, DFS, Comet, DSG	24
The Junction South Aylesford Retail Park, Maidstone	Bulky retail warehouse park	167,000	551	Homebase, Comet, BHS, Halfords, Currys	10
The Junction Morfa Retail Park, Swansea	Mixed bulky and open A1 non-food retail warehouse park, adjacent to a Morrisons supermarket	340,000	1,042	B&Q, TK Maxx, Next, New Look, Sportsworld	20
The Junction Telford Forge Retail Park, Telford	Open A1 non-food retail warehouse park	313,000	1,343	Next, Tesco Home Plus, Arcadia, TK Maxx, Boots	19
Valued at below £50m					
Broadwell Industrial Estate, Oldbury	Mixed use development site with consent for bulky and open A1 non-food retail and leisure	37,000	n/a	–	6
The Junction Abbotsinch Retail Park, Paisley	Bulky retail warehouse park	185,000	694	B&Q, DFS, Comet	6
The Junction Ocean Retail Park, Portsmouth	Bulky retail warehouse park	170,000	705	Homebase, DSG, Halfords, Toys R Us	9
Renfrew Retail Park, Renfrewshire	Mixed bulky retail warehouse and industrial scheme	57,000	n/a	Pets at Home	4

Asset and property management continued

The C&R Germany team From left: Xavier Pullen, Wilhelm zu Wied, Christoph Friedrich

Germany

The Group invests in and manages a commercial retail property portfolio in Germany through its joint venture with AREA Property Partners. As at 30 December 2009, the portfolio consisted of 50 properties throughout Germany with a total floor space of 5.1 million sq ft. CRPM acts as the strategic asset manager.

The Group's investment in Germany, which began in 2005, is held through a series of Jersey companies, which either own the properties directly or through interests in German limited partnerships. Since October 2008, the Jersey companies have been held in a 50:50 joint venture between Capital & Regional and AREA. The Group owns a 48.8% effective share in the underlying portfolio due to various minority shareholders in the underlying German entities.

The investment criteria are as follows:

- established out-of-town retail locations, typically anchored by food retailers with strong financial covenants;
- large stand-alone hypermarkets and retail parks with sales areas of more than 3,500 sq m with substantial land and car parking; and
- strongly cash generative with asset management opportunities, generally through shorter leases.

The Group's exposure to euro-denominated assets is reduced by borrowing in euros and hedging most of the remaining net investment through forward contracts. Income is not hedged.

Strategy

The high level asset management of the properties is carried out by our in-house team. Local German property managers provide the day-to-day management services such as rent collection and service charge accounting. In addition, we employ specialist asset managers to implement property-specific initiatives across the portfolio.

We aim to minimise the impact of any negative sentiment in the investment market by using our active management expertise to keep the income profile as high as possible and by actively managing any voids that arise. We will pursue disposals and acquisitions on an opportunistic basis to continually optimise the portfolio. Two such disposals totalling £6.0 million completed after the year end.

The portfolio has shown a resilient performance over the last year, with a low level of administrations and vacancies remaining stable at below 2%. Our tenant base has strong defensive qualities, mostly anchored by food retailers with affordable rents, and our portfolio is located in established retail locations.

The short-term outlook for the German economy is modestly positive for 2010 after a sharp decline in 2009. We are confident about future demand for retail space in Germany which continues to be underpinned by the expansionary moves of a number of our retailers, who see the downturn as an opportunity to increase their market presence.

Discussions are also under way to create a separate German asset management platform, which will allow further growth in this area.

Germany key statistics

	At 30 December 2009	At 30 December 2008
Gross property asset value	**€592m**	€615m
Number of properties	**50***	50
Number of units	**193**	193
Initial yield (including land)	**6.80%**	6.51%
Initial yield (excluding land)	**6.93%**	6.62%
Equivalent yield	**n/a**	n/a
C&R share	**48.8%**	48.8%
Total debt (excluding amortised costs)	**€482m**	€484m

* Including two properties sold since the year end.

Top ten tenants by rental income (2009)

	%
Metro/Real	37.6
Edeka	9.5
REWE/Toom	8.7
Coop	7.1
Praktiker	6.2
Roller	5.6
Schwarz/Kaufland	4.1
Hagebau	1.9
Globus	1.3
Aldi	1.3

Germany locations*		
Balingen	Hameln	Mörfelden
Bremen (Haferwende)	Herne	Oschersleben
Bochum Langendreer	Ingelheim	Rangsdorf
Brühl	Krefeld	Sinzheim
Cottbus	Köln Gremberg	Sobernheim
Dortmund	Lauchhammer	Stadthagen
Elchingen	Lübeck	Tönisvorst
	Marl	Trier – Kenn

* Properties valued at €10 million and above.

German properties

Property	Description	Size (sq m)	Principal occupier	JV share
Valued at €50 million to €100 million				
Dortmund	Retail park	33,800	Real	95%
Tönisvorst	Retail park	20,600	Real	100%
Valued at €20 million to €50 million				
Bremen Haferwende	Logistics	54,400	MGL	100%
Cottbus	Retail park	29,900	Praktiker	100%
Hameln	Retail park	16,800	Kaufland	95%
Lübeck	Hypermarket	29,100	Coop/Plaza	100%
Moerfelden	Retail park	12,200	REWE	95%
Trier – Kenn	Hypermarket	11,600	Real	100%
Valued at €10 million to €20 million				
Balingen	DIY	7,500	Toom	95%
Bochum Langendreer	Hypermarket	6,400	Kaufland	89%
Brühl	Supermarket	17,500	Real	95%
Elchingen	Hypermarket	7,400	Real	100%
Herne	Hypermarket	7,400	Toom	100%
Ingelheim	Hypermarket	10,200	Real	95%
Koln Gremberg	Hypermarket	8,300	Real	100%
Krefeld	DIY	11,700	Praktiker	100%
Lauchhammer	Retail park	17,700	Marktkauf	95%
Marl	Retail park	8,800	Kaufland	100%
Oschersleben	Retail park	10,500	Marktkauf	95%
Rangsdorf	Furniture store	18,500	Roller	100%
Sinzheim	Hypermarket	16,500	Real	95%
Stadthagen	DIY	10,900	Hagebau	100%
Valued at less than €10 million				
28 properties *	Various	107,600	Various	Over 85%

* Including two properties sold since the year end.

Asset and property management continued

Leisure

The Group's leisure investments have been managed since August 2009 by X-Leisure Limited, a new joint venture between Capital & Regional and Hermes in partnership with X-Leisure Limited's management. It is responsible for management of the X-Leisure fund and the Group's investments in Great Northern, Hemel Hempstead and Braehead, and oversees the SNO!zone operating business.

X-Leisure

The X-Leisure fund is the largest specialist fund investing in UK leisure property, owning 18 properties throughout the UK and as at 30 December 2009 had a total floor space of 3.4 million sq ft. The Group holds 11.9% of the fund. X-Leisure Limited carries out the asset and non-FSA regulated fund management activities for the X-Leisure fund. Hermes acts as Operator, responsible for FSA regulated fund management activities.

Investors hold units in a Jersey Property Unit trust (JPUT) which allows exposure to a diversified portfolio of properties without direct investment and the ability to transfer units without incurring Stamp Duty Land Tax.

The fund's investment criteria are as follows:

- 50% or more of rental income generated from leisure operators;
- either is, or is able to be, anchored by a cinema;
- either the dominant scheme in a local catchment area or has the ability to become so; and
- asset management opportunities or latent potential to deliver required performance.

Strategy

The fund's priority in 2009 was to ensure financial stability through its open offer and the disposal of the O2 Centre in London, which together raised sufficient funds to enable debt to be paid down to avoid the risk of breaching LTV covenants. Properties at Brighton, whose existing debt matured during the year, and Norwich were added during the year to the asset pool backing the central facility, and the terms of the loans supporting the Xscapes at Milton Keynes and Castleford were also amended.

These actions have given the fund greater financial resilience to enable management to focus on a longer term value creation strategy for the assets. While the fund will seek to reduce leverage further over the medium term, which may include disposals, it will focus on improving returns through the application of intensive asset management, specialist management and branding.

X-Leisure key statistics

	At 30 December 2009	At 30 December 2008
Gross property asset value	**£519m**	£721m
Number of properties	**18***	19
Number of units	**337**	360
Initial yield	**7.91%**	6.71%
Equivalent yield	**9.00%**	7.75%
C&R share	**11.9%**	19.4%
Total debt (excluding amortised costs)	**£354m**	£485m

* Including one property sold since the year end.

Top ten tenants by rental income (2009)

	Units	%
Cine UK	12	18.4
Vue Entertainment	3	5.8
SNO!zone	2	3.3
UCI (Odeon)	2	3.3
Virgin Active	3	2.7
City Centre Restaurants (Frankie & Benny's)	12	2.5
Pizza Hut	12	2.3
Mitchells & Butler	5	2.3
Bowlplex	3	2.0
Holmes Place	2	1.9

X-Leisure locations

Aberdeen
Ashford
Birmingham
Brighton
Cambridge
Castleford
Croydon*
Edinburgh
Leeds
London
Maidstone
Manchester
Milton Keynes
Norwich
Poole
Tyneside
West India Quay, London
Wolverhampton

* Sold since the year end.

X-Leisure properties

Property	Description	Size (sq ft)	Principal occupiers	Units
Valued at above £50m				
Brighton Marina, Brighton	Retail, leisure and residential property, with a working harbour and yacht moorings	335,000	Cine UK, Bowlplex, David Lloyd	75
Xscape Milton Keynes	Leisure and retail property anchored by one of the UK's largest indoor real snow slopes	424,000	SNO!zone, Cineworld, Virgin Active, Spirit Group, Ellis Brigham	39
Valued at £25m to £50m				
Fiveways, Birmingham	Leisure property with a cinema, casino, bars and restaurants	186,000	Cine UK, Grosvenor Casino	11
Cambridge Leisure Park, Cambridge	Leisure property with a multiplex cinema, health club, bowling, hotel, bars and restaurants	149,000	Cine UK, LA Fitness, Tenpin	19
Xscape Castleford	Leisure and retail property anchored by one of the UK's largest indoor real snow slopes	363,000	SNO!zone, Cine UK, Bowlplex, Ellis Brigham	47
Grants, Croydon *	Leisure property with multiplex cinema, health club, bars, nightclubs and restaurants	149,000	Vue Cinema, Virgin Active, Tiger Tiger, Mitchells & Butler	10
Fountain Park, Edinburgh	Leisure property with a multiplex cinema, bowling, health and fitness, and bars and restaurants	238,000	Cine UK, Tenpin, Virgin Active, Mecca Bingo, Stanley Casinos	12
Cardigan Fields, Leeds	Leisure property with a cinema, bowling, health club and restaurants plus two industrial units	216,000	Vue, Hollywood Bowl, Virgin Active, Spirit Group	14
Parrs Wood, Manchester	Leisure property with restaurants, health and fitness, bowling, multiplex cinema, bingo, children's entertainment and a hotel	232,000	Cine UK, Virgin Active, Ten Pin	11
Riverside, Norwich	Leisure property with bars, restaurants, nightclubs, multiplex cinema and bowling	210,000	UCI	15
Tower Park, Poole	Leisure property with a multiplex cinema, bowling, bingo, health club, water park and family restaurants	199,000	Empire, Bowlplex, LA Fitness	17
Valued at below £25m				
Queens Links, Aberdeen	Leisure property with a cinema and restaurants	129,000	Cine UK, Gala	11
Eureka Park, Ashford	Leisure property with a multiplex cinema, family restaurants, health & fitness, nightclub and hotel	120,000	Cine UK, Travelodge, Bannatyne	8
Great North Leisure Park, North Finchley, London	Leisure property with a multiplex cinema, bowling, restaurants and a local authority swimming pool	88,000	Vue Cinema, Hollywood Bowl	7
West India Quay, Docklands London (50%)	Leisure property with bars, restaurants, multiplex cinema, health and fitness centres and the Museum of Docklands	72,000	Cine UK, LA Fitness, Tattersall Castle Group	17
Lockmeadow, Maidstone	Leisure property with a multiplex cinema, health & fitness, family restaurants, nightclubs and bars, as well as the 700-year-old Maidstone market	139,000	Odeon Cinema, Luminar Leisure, David Lloyd	10
Boldon Leisure Park, Tyneside	Leisure property with a cinema and restaurants	57,000	Cine UK	4
Bentley Bridge, Wolverhampton	Leisure property with a multiplex cinema, restaurants and canal-side pub	99,000	Cine UK, AMF Bowling	10

* Sold since the year end.

Asset and property management continued

X-Leisure Limited

X-Leisure Limited began trading in August 2009 when staff from CRPM and Hermes transferred alongside the management responsibilities for the X-Leisure fund. PY Gerbeau had resigned from the Board of Capital & Regional in July 2009 to become Chief Executive of the joint venture.

As well as the management of the fund, X-Leisure Limited is responsible for managing the Group's other leisure investments under service level agreements with CRPM. It also provides the Group with the platform to expand its leisure asset and property management activities in future and its managers are incentivised to do so.

Xscape Braehead

The Group holds a 50% effective interest in Xscape Braehead in a joint venture with Capital Shopping Centres. The 374,000 sq ft property was constructed in 2004 and is located next to the Braehead Shopping Centre on the outskirts of Glasgow. Like the Xscapes in Milton Keynes and Castleford, which are owned by the X-Leisure fund, it offers indoor snow skiing operated by SNO!zone, bowling, dining, cinema and other leisure activities. The other principal occupiers of its 36 units are Odeon, Bowlplex and Ellis Brigham.

Great Northern Warehouse

The Group acquired the Great Northern Warehouse in 2005. The 399,000 sq ft property is a converted Victorian warehouse in Manchester city centre including bars, restaurants, shops and a multiplex cinema. The principal occupiers of its 37 units are AMC Cinema, Virgin Active and London Clubs International. It generates a good return and has further asset management potential, but the Group is keeping its strategic options under review, which could include a sale or joint venture.

Leisure World, Hemel Hempstead

The Group acquired Leisure World in 2005 for its refurbishment/redevelopment potential. The principal occupiers of the 156,000 sq ft property are Luminar and Odeon. It generates a positive return but the Group is keeping its strategic options under review, which could include a sale or joint venture.

SNO!zone

SNO!zone is the ski slope operator which rents the real snow slopes in the three Xscapes at Milton Keynes, Castleford and Braehead. It is wholly owned by the Group and is the largest indoor ski operator in the UK, but is now seeing increasing competition from new operators and venues.

Other associates and joint ventures

Capital & Regional holds a number of other property investments through associates and joint ventures.

MEN Arena

The Group acquired a 30% effective interest in the Manchester Evening News Arena in July 2006 in a joint venture with GE Real Estate. The property is located on an eight acre site in Manchester city centre and comprises the 20,000 seat arena, 120,000 sq ft of offices, a 1,075 space car park and ancillary retail space. The principal occupiers are SMG (UK), Network Rail and JD Williams & Co. Discussions are currently well progressed regarding the potential sale of the property.

FIX UK portfolio

FIX UK is the brand name for a portfolio of trade centres that the Group began acquiring in 2005. It became a fund in March 2008 when the Group sold 80% of its investment to a number of investors, including Paradigm Real Estate Managers who took over day-to-day management responsibilities. The Group retains a 20% minority share but, following the fall in property values since the date of disposal, holds this remaining investment at nil value.

Since the year end, the Group has injected a further £1.1 million into the FIX UK fund as its proportional contribution of new equity to facilitate the refinancing of the debt on the portfolio. The Group expects to see a positive return on this additional investment when the property market recovers.

In addition, during the year the Group held two further joint venture investments as follows:

Capital Retail Park, Cardiff

The Capital Retail Park was a 50:50 joint venture with PMG Estates, which involved the construction of Cardiff Shopping Park, a 280,000 sq ft retail park which achieved practical completion in July 2008. The Group sold its share in the joint venture to PMG Estates in May 2009 for £1.25 million at an estimated contracted net initial yield of 5.9%.

Glasgow Fort

The Group acquired a 50% interest in Glasgow Fort in 2003 in a joint venture with British Land. The property comprised a fashion park developed in partnership with Pillar Property. The property was sold to the Hercules Unit Trust in 2004 but the Group has continued to receive further profits which were largely dependent on planning consent being obtained for future phases of the development and the letting of units at above target rents. £0.2 million (2008: £2.3 million) was received during the year but the Group does not expect to receive further significant amounts of future profits because it is unlikely that any of the relevant development will take place in the necessary timescale.

Principal risks and uncertainties

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

The Group carries out a regular review of the major risks it faces and monitors the controls that have been put in place to mitigate them. Property risks are also monitored at various levels within divisional management.

Risk	Impact	Mitigation
Property risks		
Property investment market risks • Weak economic conditions and poor sentiment in commercial real estate markets leading to low investor demand and market pricing correction	• Small changes in property market yields have a significant effect on the value of the properties owned by the Group • Impact of leverage could magnify the effect on the Group's net asset value	• Geographical and sector diversification of investments • Monitoring of indicators of market direction and pursuit of opportunistic asset sales in those schemes and locations most likely to suffer adverse impact • Review of debt levels and consideration of strategies to reduce if relevant
Tenant risks • Tenant insolvency or distress • Prolonged downturn in tenant demand	• Tenant failures and reduced tenant demand could adversely affect rental income revenues, lease incentive costs, void costs, available cash and value of properties owned by the Group	• Large, diversified tenant base • Review of tenant covenants before new leases signed • Long-term leases and active credit control process • Good relationships with and active management of tenants • Void management though temporary lettings and other mitigation strategies
Valuation • In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty	• Stated property valuations may not reflect the price received on sale	• Use of experienced, external valuers • Rotation of valuers • Valuations reviewed by internal valuation experts
Property management income • Fee income based on value of property under management • Contracts allow for termination under certain circumstances, which are largely outside management's control	• Changes in property values, sales of properties or other events not wholly under management's control could result in a reduction in or the loss of property management income	• Monitoring of compliance with terms of contracts • Close dialogue with other investors and stakeholders • Diversification of source of management income • Renegotiation of contracts to fix income or base it on measures other than value • Reduction of cost base as fee income falls to mitigate loss
Nature of investments • The market for the Group's investments can be relatively illiquid • Restrictions on ability to exercise full control over underlying investments in joint ventures or fund structures	• Inability to sell investments or fully control exit/asset sale strategies could result in investments in associates and joint ventures not being realisable at reported values	• Close dialogue with other investors and stakeholders to align strategies and increase influence over the direction of investments • Exercise of significant influence over associates and joint ventures through representation on management boards

Risk	Impact	Mitigation
Funding and treasury risks		
Liquidity and funding • Inability to fund the business or to refinance existing debt on economic terms when needed	• Inability to meet financial obligations (interest, loan repayments, expenses, dividends) when due • Limitation on financial and operational flexibility • Cost of financing could be prohibitive	• Capital raising, debt refinancing and asset sales at both Group and fund levels have improved liquidity position, reduced the potential impact of prolonged falls in property values and positioned the Group to respond quickly to the turning point in the cycle • Ensuring that there are significant undrawn facilities • Option of further asset sales if necessary • Efficient treasury management and regular proactive reporting of current and projected position to the Board to ensure debt maturities are dealt with in good time
Covenant compliance • Breach of any of loan covenants causing default on debt and possible accelerated maturity	• Unremedied breaches can trigger demand for immediate repayment of loan	• Regular monitoring and projections of liquidity, gearing and covenant compliance • Review of future cash flows and predicted valuations to ensure sufficient headroom
Foreign exchange exposure • Fluctuations in the exchange rate between sterling and the euro in respect of the Group's German joint venture	• Adverse impact on sterling valuation of investments and income flows, and losses as a result of the Group having not, or not effectively, hedged its risk	• Exposure minimised by funding the German investment through euro-denominated borrowings and hedging a large proportion of the remaining investment through derivatives • Regular monitoring of the effectiveness of hedging and performance of derivative contracts
Interest rate exposure • Exposure to rising or falling interest rates	• If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken • Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences	• Regular monitoring of the performance of derivative contracts and corrective action taken where necessary • Use of alternative hedges such as caps
Other risks		
Tax and regulation • Exposure to changes in tax legislation or the interpretation of tax legislation and property related regulations • Potential exposure to tax liabilities in respect of previous transactions undertaken where the tax authorities disagree with the tax treatment adopted	• Tax-related liabilities and other losses could arise	• Expert advice taken on tax positions and other regulations • Maintenance of a regular dialogue with the tax authorities
Loss of key management • Dependence of the Group's business on the skills of a small number of key individuals	• Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce the effectiveness with which the Group conducts its business	• Key management are paid market salaries and offered competitive incentive packages to ensure their retention • Succession planning for key positions is undertaken • Performance evaluation, training and development programmes are in place to maintain and enhance the quality of staff

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

Directors

From left: Hugh Scott-Barrett, Kenneth Ford, Xavier Pullen, Charles Staveley, Tom Chandos

Executive directors

Hugh Scott-Barrett, Chief Executive, 51
Hugh has been Chief Executive since 1 April 2008. He was previously a member of ABN AMRO's managing board and served as Chief Operating Officer between 2003 and 2005 and Chief Financial Officer from 2006 to July 2007. Hugh brings over 25 years' banking experience having also worked at SBC Warburg and Kleinwort Benson prior to joining ABN AMRO. He was educated both in Paris and at Oxford University. Hugh is a non-executive director of GAM Holding, a Swiss asset management company, and a trustee of Winston's Wish, a leading child bereavement charity

Kenneth Ford, Executive Director, 56
Kenneth has been a director of Capital & Regional since 1997 and has Board responsibility for the Group's shopping centre and retail park portfolios. He has been involved in commercial property for over 30 years.

Xavier Pullen, Deputy Chief Executive, 58
Member of Responsible Business Committee
Xavier was a founder director of the Company in 1979 and has been active in the property industry for over 30 years. Xavier focuses primarily on the supervision of the Group's fund management business and the German joint venture together with the co-ordination of all property matters and the development of new business initiatives.

Charles Staveley, Group Finance Director, 46
Charles was appointed to the Board as Group Finance Director in October 2008. He qualified as a Chartered Accountant with Arthur Andersen and has additional tax and treasury qualifications. Before joining the Group, he was Head of Tax and Treasury at COLT Telecommunication Group. Prior to that he held roles with various other companies, including De La Rue Group plc, Textron Inc and Novar Group plc.

Non-executive directors

Tom Chandos, Chairman, 57
Chairman of Nomination Committee
Tom is Chairman of Invista European Real Estate Trust and Queen's Walk Investment. He is also on the board of a number of private companies. In addition to his board positions, he has worked in investment banking and alternative investment areas such as venture capital and hedge funds. He is a Labour member of the House of Lords. Tom was appointed as a director of the Company in 1993 and as Chairman in 2000.

Alan Coppin, Non-executive, 59
Chairman of Responsible Business Committee and member of Audit Committee
Alan is currently a non-executive director of Berkeley Group Holdings plc, the urban regenerator and residential developer, and a member of both the Royal Air Force Board Standing Committee and Air Command (formerly Strike Command). He is a patron of the Windsor Leadership Trust. His previous positions have included Chief Executive of Wembley plc and, in the charity sector, Chairman of The Prince's Foundation for the Built Environment. Alan was appointed a director of the Company in 2004.

Neno Haasbroek, Non-executive, 55
Neno joined Rand Life Assurance in South Africa as property manager in 1980 and became Investment Manager of Allianz Life in 1983. In 1985 he co-founded Baker Street Associates, a group that specialises in property broking, development and management. He is a co-founder and director of Attfund Limited, one of the largest private property investment companies in South Africa, and through Parkdev is actively involved in the asset management of Attfund. He is also a director of JSE-listed Sycom Property Fund. He has a BSc Building Science degree from the University of Pretoria and an MBA from the University of the Witwatersrand.

From left: Alan Coppin, Neno Haasbroek, Philip Newton, Louis Norval, Paul Stobart, Manjit Wolstenholme

Philip Newton, Non-executive, 61
Chairman of Remuneration Committee
Philip is the former CEO of Merchant Retail Group plc, owners of The Perfume Shop, a 150-store chain that he developed from its beginnings. He is Chairman of Windsor Vehicle Leasing Ltd, a vehicle finance and fleet management company, and Cornish Kitchen, a fast food retail business with 20 stores. His early career was in the District Valuer's Office and then the property development industry. Philip was appointed as a director of the Company in 2006.

Louis Norval, Non-executive, 54
Louis was a founding member and senior partner of Norval Wentzel Steinberg Quantity Surveyors and director of Baker Street Associates Holdings (Pty) Limited in South Africa. He is the Chief Executive of Attfund Limited and Managing Director of Parkdev International Asset Managers, and also serves on the board of a number of other companies. He graduated in BSc (QS) (with distinction) from the University of Pretoria.

Paul Stobart, Non-executive, 52
Senior Independent Director and Member of Audit, Remuneration and Nomination Committees
After qualifying as a chartered accountant with Price Waterhouse, Paul spent five years in corporate finance with Hill Samuel before joining Interbrand, an international marketing services consultancy, in 1988. He joined The Sage Group plc in 1996 as Business Development Director, becoming Chief Executive Officer, UK and Ireland, in 2003. Paul was appointed as a director of the Company in 2003.

Manjit Wolstenholme, Non-executive, 45
Chairman of Audit Committee and member of Remuneration and Nomination Committees
After qualifying as a Chartered Accountant with Coopers & Lybrand, Manjit spent 13 years at Dresdner Kleinwort Wasserstein, latterly as co-Head of Investment Banking, where she was responsible for managing the division as well as advising clients on a wide range of transactions. She is also a non-executive director of Provident Financial plc, the specialist non standard lender. Manjit was appointed as a director of the Company in 2006.

Directors' report

Introduction

The directors present their report together with the audited financial statements for the year ended 30 December 2009.

Results and proposed dividends

The consolidated income statement shows a loss on ordinary activities after taxation of £119.7 million (2008: loss of £502.2 million).

The directors continue to believe that dividends should be paid in accordance with the Group's cash flow requirements and anticipated future financial performance, while maintaining an appropriate level of dividend cover. Given current trading and the working capital position of the Group and given the continued property market volatility, the directors do not recommend the payment of a final dividend.

The directors are committed to resuming dividend payments when they consider it is prudent to do so but the future payment of dividends will be linked for the foreseeable future to the Group's cash generating capability, and will normally be restricted to not more than 50% of operating cash flow less interest and tax, with any final dividend being subject to the approval of shareholders at a general meeting.

Principal activities, trading review and future developments

The principal activity of the Group is that of a co-investing asset manager. A review of the activities and prospects of the Group is given in the Chairman's statement, the operating review and the financial review.

Business review

The information that fulfils the requirements of the business review including key performance indicators can be found in the operating review and the financial review which are incorporated in this report by reference.

Events after the reporting period are set out in note 35 to the financial statements. More detail on the financial risks facing the Group is set out in note 23 to the financial statements.

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

Directors

The directors of the Company during the period were: H Scott-Barrett, T Chandos, A Coppin, K Ford, PY Gerbeau (resigned 31 July 2009), H Mautner (retired 22 June 2009), P Newton, X Pullen, C Staveley, P Stobart, M Wolstenholme, L Norval (appointed 15 September 2009) and N Haasbroek (appointed 15 September 2009).

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

In accordance with the Articles of Association, P Newton, K Ford and X Pullen will retire from the Board by rotation and offer themselves for re-election. L Norval and N Haasbroek, who having been appointed by the Board, would vacate office at the conclusion of the AGM also offer themselves for re-election.

T Chandos will step down as Chairman and from the Board at the Company's AGM. T Chandos joined the Board in 1993 and was appointed Chairman in 2000.

A Coppin has also decided that he wishes to step down as a non-executive director at the end of September 2010, when he will have completed two full terms with the Board.

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

Directors' interests

The directors and, where relevant, their connected persons (within the meaning of Section 252 of the Companies Act 2006) are interested in 99,037,943 issued shares representing 28.2% of the issued ordinary share capital of the Company as detailed in the directors' remuneration report.

There were no contracts of significance subsisting during or at the end of the year in which a director of the Company was materially interested. No director had a material interest in the share capital of other Group companies during the year.

Share options

Details of outstanding share options granted to the directors under the 1998 Share Option Schemes are disclosed in the directors' remuneration report.

Substantial shareholdings

In addition to the interests of the directors, the Company has been notified pursuant to Section DTR5 of the FSA Disclosure & Transparency Rules of the following notifiable interests in its issued share capital as at 12 March 2010 (the latest practicable date prior to the issue of this report):

	Number of shares	%
Parkdev International Asset Managers	73,064,197	20.84
Morgan Stanley Investment Management	23,266,987	6.64
Pinelake International	18,924,243	5.40
Henderson Global Investors	16,424,287	4.68
Rreef Real Estate	16,303,481	4.65
Algemene Pensioen Group	15,592,426	4.45
Legal & General Investment Management	14,644,233	4.18
Standard Life Investments	12,101,145	3.45

Capital structure

The Company has one class of ordinary shares of 1p each with equal voting rights. In addition, the trustees of the Long-Term Incentive Share Scheme have the right to vote on behalf of the Group's employees. Further information is given in notes 24 and 25 to the financial statements.

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

- The asset management agreement for The Mall can be terminated by the fund partnership if there is a change of control of the Company, which is defined to be either 50% of its issued share capital being held by or on behalf of a single entity or group, or 30% or more of its issued share capital being held by or on behalf of a single entity or group if, in addition, 50% or more of its executive directors over the previous 12 months cease to be the executive directors.

- The X-Leisure Limited asset management agreement with X-Leisure can be terminated by the fund partnership if there is a change of control where the beneficial interest in more than 50% of the issued share capital of X-Leisure Limited ceases to be held by a member of the Group and/or Hermes group of companies.
- A similar definition to The Mall's asset management agreement applies to the £58 million core revolving credit facility. The 30% change of control provision differs and requires that more than 50% of the directors immediately following the completion of the Capital Raising (including the two directors appointed by Parkdev) cease to be directors, or to constitute 50% of the Board. If this occurs, the bank has the right to repayment of the loan.

Use of financial derivatives
The use of financial derivatives is set out in note 23 to the financial statements.

Charitable donations
The main thrust of charitable support is at local level through fund investments. At Group level small donations have been made during the year totalling £4,528 (2008: £22,898).

Payment of suppliers
The policy of the Group is to settle supplier invoices within the terms of trade agreed with individual suppliers. Where no specific terms have been agreed, the Group endeavours to make payment within one month of the receipt of the goods or service. At the year end, the Group had an average of 53 days (2008: 38 days) purchases outstanding.

Purchase of own shares
As at the balance sheet date, the Company had authority to purchase 14.9% of the issued share capital and will be renewing this authority as per resolution 13 below.

Shares acquired during the year
The Capital & Regional Employee Share Ownership Trust acquired 198,076 shares during the year as part of the Capital Raising. Details are set out in note 25 to the financial statements.

Capital Raising
Details of the Capital Raising undertaken during the year are set out in note 24 to the financial statements.

Compliance with combined code
A statement on corporate governance is set out in the corporate governance report, which is incorporated in this report by reference.

Responsible business
The responsible business statement is set out in the responsible business report, which is incorporated in this report by reference.

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

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

Stakeholder pensions
As a result of the Government's introduction of stakeholder pensions in April 2001, employers must provide their employees with access to a stakeholder pension scheme. The Group appointed consultants, who put such a scheme in place, and also nominated a stakeholder pension provider at that time. Employees have been able to join this scheme since May 2001.

Registered office
The Company's registered office address is 52 Grosvenor Gardens, London SW1W 0AU.

Auditors' information
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Explanation of business to be conducted at the Annual General Meeting
Resolutions 1 to 11 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 12 and 13 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution. The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Your Board unanimously recommends that you vote in favour of the resolutions.

Ordinary resolutions
Resolution 1 – Accounts and reports
Company law requires the directors to present to the meeting the audited annual financial statements and the directors' and auditors' report for the year ended 30 December 2009.

Resolutions 2 to 6 – Re-appointment of directors
In accordance with the Articles of Association, non-executive director P Newton and executive directors K Ford and X Pullen will retire from the Board by rotation and offer themselves for re-appointment. In accordance with the Articles of Association non-executive directors L Norval and N Haasbroek, who having been appointed by the Board would vacate office at the conclusion of the AGM, also offer themselves for re-appointment. The Chairman has confirmed that the non-executive directors' performance continues to be effective and that they demonstrate commitment to the role and should therefore be put forward for re-appointment at the AGM.

Biographical details of all the directors standing for election appear before this report. The Board recommends that you support the election of each of the retiring directors standing for election.

Resolution 7 – Reappointment of auditors
The Company must appoint auditors at each general meeting at which financial statements are presented to shareholders to hold office until the conclusion of the next such meeting. This resolution seeks shareholder approval to re-appoint Deloitte LLP as the Company's auditors and in accordance with normal practice seeks authority for the Company's directors to fix their remuneration.

Directors' report continued

Resolution 8 – Remuneration of auditors
The resolution proposes that the auditors' remuneration is fixed for the ensuing year.

Resolution 9 – Directors' remuneration report
The resolution proposes that the directors' remuneration report for the year ended 30 December 2009 be approved by the meeting.

Resolution 10 – Notice of general meetings
Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days. AGMs will continue to held on at least 21 clear days' notice.

Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an AGM on 14 days' clear notice without obtaining such shareholder approval. In order to preserve this ability, resolution 10 seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Note that changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on fewer than 21 days' clear notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Resolution 11 – Directors' authority to allot securities
Section 551 of the Companies Act 2006 requires shareholders' authority for the directors to allot new shares or grant rights to subscribe for or convert any security into shares in the Company. Under resolution 11, which is proposed as an ordinary resolution, the directors seek authority to allot shares or grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal value of £1,168,592 representing 33.33% of the nominal value of the Company's share capital in issue at 15 March 2010 (being the last practicable date prior to the publication of this report).

The authority will expire at the conclusion of the Company's AGM in 2011. This authority complies with guidelines issued by institutional investors. The directors have no immediate plans to make use of this authority. As at the date of this report, the Company does not hold any ordinary shares in the capital of the Company in treasury.

Special resolutions
Resolution 12 – Pre-emption rights
Under company law, when new shares are allotted or treasury shares are sold for cash, they must first be offered to existing shareholders pro rata to their holdings. This special resolution renews, for the period ending on the date of the next Annual General Meeting, the authorities previously granted to the directors to: (a) allot shares of the Company in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares of the Company, or sell treasury shares for cash, up to an aggregate nominal value of £175,306 (representing in accordance with institutional investor guidelines, approximately 5% of the ordinary share capital in issue as at 15 March 2010 (being the last practicable date prior to the publication of this report) as if the pre-emption rights contained in company law did not apply.

The directors have no immediate plans to make use of these authorities. The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles not to allot shares for cash on a non-pre-emptive basis in excess of an amount equal to 7.5% of the Company's ordinary share capital within a rolling three-year period without prior consultation with shareholders.

Resolution 13 – Authority to purchase own shares
At the last AGM in 2009, the Company was granted authority to make purchases in the market of its own shares, subject to specified limits. This authority, which has not as yet been fully exercised, expires at the conclusion of the Company's 2010 AGM. Therefore, by resolution 13, it is proposed as a special resolution that this authority in respect of the Company is renewed.

The power is limited to a maximum aggregate number of 52,241,300 ordinary shares (representing 14.9% of the issued share capital as at 15 March 2010 (being the latest practicable date prior to publication of this report) and details the minimum and maximum prices that can be paid, exclusive of expenses. This resolution authorises the Company to pay a maximum price for an ordinary share that is an amount equal to the higher of: (i) 105% of the average market price for an ordinary share for the five dealing days preceding any such purchase; or (ii) the higher of the last independent trade for an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out. The authority conferred by this resolution will expire at the conclusion of the 2011 AGM or 15 months from the passing of this resolution, whichever is the earlier.

The shares repurchased by the Company under the renewed authority would either be cancelled or held as treasury shares. No dividends may be paid on shares which are held as treasury shares and no voting rights are attached to them. Once held in treasury, treasury shares may be cancelled, sold for cash or used for the purpose of employee share schemes. The Company currently holds no shares in treasury.

The directors have no present intention of exercising the authority to purchase the Company's ordinary shares. The directors would only purchase shares if, in their opinion, the expected effect would be to result in an increase in asset value per share and would benefit shareholders generally.

The total number of options to subscribe for new ordinary shares in the Company as at 15 March 2010 was 100,000 representing 0.029% of the Company's issued share capital as at that date. Such number of options to subscribe for new ordinary shares would represent approximately 0.034% of the reduced issued share capital of the Company assuming full use of the authority to make market purchases sought under resolution 13.

By order of the Board

F Desai
Company Secretary
17 March 2010

Statement of directors' responsibilities

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

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

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

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

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

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

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

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

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

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the operating review and financial review, which are incorporated by reference into the directors' report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

H Scott-Barrett
Chief Executive

C Staveley
Group Finance Director
17 March 2010

Directors' remuneration report

Unaudited information

Remuneration Committee

The Company has a Remuneration Committee ("the Committee") appointed by the Board, consisting entirely of non-executive directors, which is constituted in accordance with the recommendation of the Combined Code. M Wolstenholme acted as Chairman until 24 February 2009 from which date P Newton took over as Chairman. P Stobart is the third member of the Committee. The terms of reference of the Remuneration Committee are available for inspection on the Group's website.

The Committee is responsible for setting the remuneration policy for the executive directors and senior employees. The Committee determines the terms of the service agreements, salaries and discretionary bonus payments, as well as deciding on the awards to be made to all participants in the Group's share schemes. Advice from independent external advisers is obtained when required. During the year, the Committee has sought advice from PricewaterhouseCoopers in respect of the Group's incentive schemes which were established in November 2008.

Remuneration policy

The Committee seeks to ensure that the total remuneration received by the executive directors under their contracts is competitive within the property industry and will motivate them to perform at the highest level.

In order to align the interests of executive directors with the interests of shareholders, a significant proportion of directors' remuneration is performance related through the use of annual bonus and incentive schemes. Performance-related payments are deferred to aid retention, but are uncapped in line with practice in the private equity and property fund management industry. In addition, the Committee aims to achieve an appropriate balance between directors' remuneration packages and those of other key management.

Basic salaries

The Committee's policy is to set the basic salaries of executive directors at levels which reflect their roles, experience and the practices in the employment market. The basic salaries have been set in the past with reference to the FTSE 350 Real Estate comparative group and this will be reviewed by the Remuneration Committee on an ongoing basis.

With effect from 1 January 2010 until 1 January 2012, all directors have reduced their annual salaries and fees as shown below:

	2010 £000	2009 £000
H Scott-Barrett	**300**	340
X Pullen	**200**	292
C Staveley	**250**	260
K Ford	**250**	282
T Chandos	**105**	125
P Stobart	**39**	42
M Wolstenholme	**39**	42
A Coppin	**39**	42
P Newton	**39**	42
L Norval	**33**	36
N Haasbroek	**33**	36

With the exception of H Scott-Barrett, who has also given up his entitlement to cash in lieu of pension contributions of £60,284 for the above period, all other benefits, where relevant, remain unchanged.

Annual bonus scheme

The Committee may award cash bonuses to executive directors up to 100% of salary based on the Committee's independent assessment of the Group's financial performance during the year and the individual contribution made by each executive director. Individual contributions are assessed on business building (success in growing the business), financial results (total return and return on equity), team building (indicated by low staff turnover and progress in developing key individuals) and financial control (adequate reporting, systems and procedures). No bonuses were awarded to the executive directors for 2009 due to the poor financial performance of the Group.

Incentive schemes

Current incentive schemes

The Group has seven incentive schemes under which awards currently subsist:

Old incentive schemes

- The 1998 Share Option Schemes (the "1998 Scheme")
- The Long Term Incentive Plan (the "2002 LTIP")
- The Capital Appreciation Plan (the "CAP")

New incentive schemes set up in 2008

- Matching Share Agreement for H Scott-Barrett (the "Agreement")
- The Co-Investment Plan (the "COIP")
- The Save As You Earn Plan (the "SAYE")
- The New Long Term Incentive Plan (the "New LTIP")

The terms of the 2002 LTIP permitted the Committee to make conditional awards of shares to participants annually with a market value not exceeding 100% of the participants' basic salaries. All the executive directors, except H Scott-Barrett and C Staveley, together with other key executives of the Group are participants in the 2002 LTIP. The final award was made in 2007, details of which are shown in the table under Audited information below.

All the executive directors, except H Scott-Barrett and C Staveley, together with other key executives of the Group were participants in the CAP. The terms of the CAP permitted the Committee to make awards to the participants annually that would entitle them to receive payments in aggregate of up to 30% of the performance fees receivable by the Group from The Mall, The Junction and X-Leisure funds. The performance fees are subject to rigorous performance conditions and thus the CAP payments were indirectly subject to the performance conditions. To the extent that awards would ultimately vest, the individual entitlements were reduced by 80% of the initial value of the shares awarded under the 2002 LTIP. The last awards under the CAP were made in 2006 and the final payment, subject to clawback, was made in May 2009. Details of the payments are shown in the Directors' emoluments table under Audited Information below.

The 2002 LTIP and CAP schemes expired in June 2008 and three new schemes were approved by shareholders at an Extraordinary General Meeting on 5 November 2008. The Committee was of the view that the CAP was no longer appropriate for the business and was discontinued.

New Incentive schemes set up in 2008

These are the 2008 Long Term Incentive Plan (the "2008 LTIP"), the Co-Investment Plan (the "COIP") and the Save As you Earn Scheme ("SAYE"). A summary of the principal features of the three schemes is set out under "Audited information" below.

Matching Share Agreement for H Scott-Barrett

As part of the negotiation to secure his appointment and also to demonstrate his commitment to the Group, H Scott-Barrett agreed to purchase shares in the Company on condition that he was provided with certain matching shares. Accordingly H Scott-Barrett was granted an award of matching shares in accordance with Rule 9.4.2 of the Listing Rules. The principal terms of the incentive arrangement are set out below.

The Agreement was entered into by the trustee of the Capital & Regional plc Employee Share Ownership Trust 2002 (the "Trustee") and H Scott-Barrett on 9 March 2008. Under the Agreement H Scott-Barrett agreed to acquire between 100,000 and 200,000 shares in the Company ("Acquired Shares") within 30 days of the announcement of the Group's results for the period ended 30 December 2007. H Scott-Barrett acquired 150,000 shares on 11 March 2008.

For every Acquired Share, the Trustee agreed to provide a maximum of three matching shares ("Matching Shares") at the end of a three-year vesting period (the "Vesting Period"), as follows:

- one share in the Company without a performance condition, ("Match 1"); plus
- up to one further share in the Company subject to a performance condition ("Match 2"); plus
- up to one further share in the Company subject to a tougher performance condition ("Match 3").

H Scott-Barrett has since waived his entitlement to any awards under Match 2 and Match 3.

The vesting of all Matching Shares is subject to H Scott-Barrett remaining in employment with the Group during the Vesting Period (subject to the specified exceptions referred to below) and not transferring or otherwise disposing of the Acquired Shares during that period.

H Scott-Barrett retains the right to vote on the Acquired Shares and to receive any dividends or other distributions which may be made in respect of the Acquired Shares. H Scott-Barrett has no rights over Matching Shares unless and until they vest. Dividend equivalents are not paid on Matching Shares which vest.

If H Scott-Barrett dies before the end of the Vesting Period, his personal representatives are entitled to the Matching Shares in full. If H Scott-Barrett ceases to be employed within the Group by reason of injury, disability, redundancy, retirement, or because the business for which he works ceases to be part of the Group, or if he is dismissed without cause or constructively dismissed, the Matching Shares shall vest in full, regardless of when the cessation of employment occurs.

If H Scott-Barrett leaves employment before the end of the Vesting Period for any other reason, the Matching Shares will lapse although the Trustee may, at its discretion (with the written consent of the Board), determine that some or all of the Matching Shares shall vest.

In the event of a takeover, reconstruction or winding-up of the Company during the Vesting Period, the Matching Shares will vest on the same basis as would apply on a cessation of employment by reason of injury, disability and redundancy.

In the case of a demerger the Trustees can determine that the Vesting Period ends for some or all of the Matching Shares and determine the extent to which those shares vest.

Benefits under the Agreement are not pensionable.

If there is a rights issue or similar variation of capital, the Trustee, can take up the rights attaching to the Matching Shares as H Scott-Barrett may direct. Any additional shares are held and released with the corresponding Matching Shares.

Following the Capital Raising, the shares subject to the Matching Share Agreement were adjusted by the same factor used in the rebasing of the SAYE Scheme. The maximum award after adjustment is therefore now 302,055 shares.

Pension arrangements

The Group makes contributions, at proportional rates to basic salary, to defined contribution pension schemes of each executive director's choice, except in the cases of X Pullen and H Scott-Barrett where salary supplements of £51,773 and £60,284 respectively were paid to them in lieu of pension contributions.

Other benefits

Benefits consist of private medical insurance cover, permanent health insurance cover, critical illness cover and Group life cover.

Service contracts

Each of the present executive directors has a rolling service agreement which can be terminated on one year's notice by either party. In the event of early termination of an executive director's agreement, the Committee will determine the amount of compensation (if any) to be paid by reference to the circumstances of the case at the time. It is the Committee's policy not to reward poor performance and to take account of the executive director's duty to mitigate loss.

The dates of the executive directors' service agreements are as follows:

H Scott-Barrett	9 March 2008
X Pullen	28 October 1993
K Ford	17 May 1996
C Staveley	1 October 2008

The Group allows executive directors to take up external positions outside the Group, providing they do not involve a significant commitment and do not cause conflict with their duties to the Group. Directors are allowed to retain all remuneration arising from any external position.

Directors' remuneration report continued

X Pullen is a non-executive director for Brandeaux, a privately owned fund management group. H Scott-Barrett is a non-executive director of GAM Holding, a leading Swiss asset management company. The Group does not consider that these appointments involve significant commitment or that the roles conflict with their duties to the Group. Any earnings received from the appointments are kept by the individuals concerned and have not been disclosed to the Group.

On 31 July 2009, PY Gerbeau resigned as a director to become Chief Executive of X-Leisure Limited.

Chairman and non-executive directors

Each non-executive director received fees of £36,000 per annum in 2009.

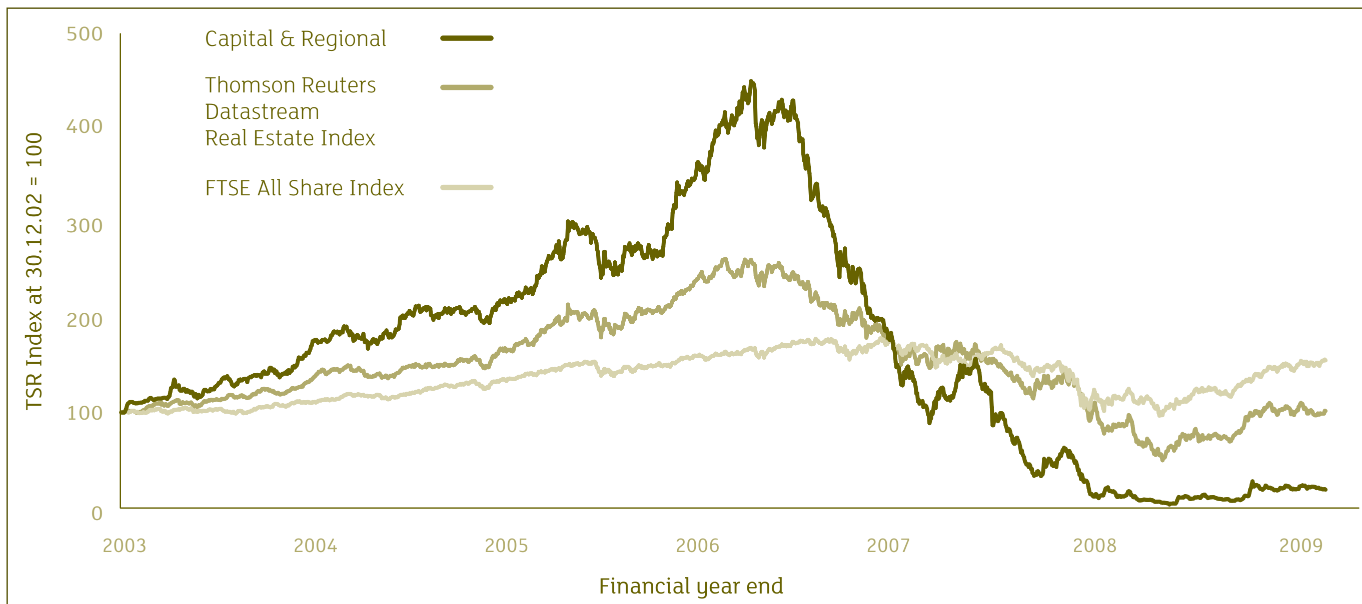
The Chairman received additional fees of £89,000 per annum and the Chairman of each of the Audit, Remuneration and Responsible Business Committees and the Senior Independent Director received an additional fee of £6,000 per annum. The non-executive directors are not entitled to bonuses, benefits, pension contributions or to participate in any incentive schemes. Details of their revised fees for 2010 are set out above on page 32.

None of the non-executive directors have a service agreement and they are all appointed for three-year fixed terms.

Their remuneration comprises a standard director's fee and a fee for additional responsibilities. The remuneration provided takes into account the level of responsibility, experience and abilities required and the marketplace for similar positions in comparable companies. In certain circumstances, if there is a requirement for extra work to be carried out by a non-executive director, an additional fee is paid by the Group to that director from time to time. Details of the non-executive directors' fees are set out under Audited information below.

Performance graph

The graph below is prepared in accordance with the Directors' Remuneration Report Regulations 2002 and illustrates the Company's performance compared to a broad equity market index. In the past, the Group has used the FTSE Real Estate Index but as this is no longer available the Group has used The Thomson Reuters Datastream Real Estate Index instead. Performance is measured by total shareholder return (share price growth plus dividends paid).



Audited information

Long Term Incentive Plan

Shares which were conditionally awarded to the directors under the 2002 Long Term Incentive Plan are set out below:

	LTIP awards outstanding as at 30 December 2008	Date of award	Market price on date of award (p)	End of qualifying period	**LTIP awards outstanding as at 30 December 2009**
X Pullen	24,484	28/04/2006	1,115.0	31/12/2008	–
	17,489	23/04/2007	1,561.0	31/12/2009	**17,489**
K Ford	23,542	28/04/2006	1,115.0	31/12/2008	–
	16,816	23/04/2007	1,561.0	31/12/2009	**16,816**
PY Gerbeau *	23,542	28/04/2006	1,115.0	31/12/2008	–
	16,816	23/04/2007	1,561.0	31/12/2009	**16,816**

* At the point of resignation.

No shares awarded in 2006 vested during the year as performance conditions were not met and as a result, all shares lapsed. The outstanding LTIP awards for all employees are summarised in note 25 to the financial statements. The performance conditions for the awards made in 2007 were also not met and as a result these shares have also now lapsed.

The Group's policy was to make conditional awards to executive directors of shares with a market value equivalent to up to 100% of salary at the discretion of the Remuneration Committee. The Remuneration Committee made the maximum award in the knowledge that none of the shares will vest unless the Group performs strongly.

The qualifying ("vesting") conditions for all awards under the plan can be summarised as follows:

ROE: The extent to which 50% of the shares conditionally awarded would vest was determined by reference to the level of the Group's average post-tax return on equity (ROE) for the year of grant and following two years (the performance period). None would vest if the ROE was less than 10%; 20% of the shares would vest if the ROE was 10%; 100% of the shares would vest if the ROE was 18% or above. If the ROE fell between 10% and 18%, the percentage of shares would vest at an incremental rate.

TSR: The other 50% of the shares conditionally awarded would vest according to total shareholder return (TSR) over the three-year performance period relative to the FTSE Real Estate Index whereby:

i) if TSR was below the median, no shares in an award would vest;

ii) if TSR was above the median, 25% of the shares in an award would vest;

iii) if TSR was in the upper quartile, 100% of the shares in an award would vest; and

iv) if TSR was between median and upper quartile the shares would vest pro rata.

In addition, vesting of the TSR portion of the scheme was conditional on the post-tax return on equity for the Company averaging 5% per annum or higher over the relevant three-year performance period.

Principal features of the new schemes set up in 2008

2008 LTIP

The 2008 LTIP was set up to replace the 2002 LTIP but no awards were made under this scheme in 2009. The Remuneration Committee has reconsidered how best to incentivise key management in light of the Capital Raising and market conditions. It believes the three key objectives of a scheme are to align the interests of the executives with shareholders, ease of understanding, and having stretching but achievable targets. The Remuneration Committee has concluded that the 2008 LTIP scheme does not fully meet these objectives and has therefore recommended that the 2008 LTIP should be replaced with a New LTIP. Shareholder approval will be sought in due course for the New LTIP.

COIP

The COIP was designed to be operated in conjunction with the Group's annual bonus arrangements with the Remuneration Committee inviting certain key employees to acquire shares in the Company from a proportion of their annual bonus and lodge such shares for the purposes of the COIP.

Participants who were invited to lodge such shares (the "Lodged Shares") could receive an award (the "COIP Award") enabling them to acquire additional matching shares at the end of a performance period subject to the satisfaction of performance conditions, continued employment and based on the number of Lodged Shares which had been acquired.

Participation limits

Participants will be invited to acquire Lodged Shares using a percentage of their net (post tax) annual bonus. It was envisaged that the maximum investment eligible for a matching award would normally be 30% of gross basic salary; however, individuals who received a payout from the Group's Capital Appreciation Plan (CAP) could invest this payment up to a maximum of 100% of their gross salary.

The number of matching shares which may be awarded to a participant will be limited to two shares for every one Lodged Share for executive directors and one share for every one Lodged Share for other employees.

Making of COIP Awards

COIP Awards may only normally be made in the period of 42 days beginning on the dealing day following the date on which the COIP is adopted by the Group, or within the period of 42 days beginning on the dealing day following the announcement of the Group's interim or final results, or otherwise at other times if the Remuneration Committee considers there are exceptional circumstances.

No COIP Award may be made to a participant during a period proscribed for dealings in shares by directors or certain employees of the Group whether by the Listing Rules of the United Kingdom Listing Authority or otherwise, except where this is permitted under the Model Code or the Group's own code on dealing by directors and employees in its securities. A COIP Award will be personal to the participant and not transferable (other than on death when it can be exercised by the participant's personal representatives).

No COIP Award can be made more than 10 years after adoption of the COIP.

Performance targets

At the time of making a COIP Award the Remuneration Committee will set performance targets which must be satisfied before it can vest.

Such targets will normally be measured over a three-year period. If an event occurs which causes the Remuneration Committee to consider that an amended target would be a fairer measure of performance and not materially less difficult to satisfy, the performance targets may be amended.

Directors' remuneration report continued

The Remuneration Committee's overall policy is to make awards under the COIP using performance conditions and target levels which are believed to be stretching and provide value to the participants commensurate with the performance achieved. The policy when deciding on performance measures is to use measures the participants can influence by their actions, in order to provide effective motivation. The policy is to make COIP Awards annually and, as has been mentioned above, to ensure that the targets are set at the time of award with regard to prevailing conditions and that all the equity incentive arrangements in which an employee participates are considered as one whole.

It is the intention of the Remuneration Committee that COIP Awards will be subject to the following performance targets based on Total Shareholder Return (TSR). The award has two parts each giving a 2:1 match for executive directors and a 1:1 match for other participants.

100% of the first half of the matching award will vest for upper quartile performance when the Company's TSR is compared with the TSR of the constituent companies of the FTSE Real Estate sector, with only 20% of this part of the award vesting for median performance. Nothing will vest if performance is below this level. Straight-line vesting will occur between median and upper quartile. None of this part of the award will vest if the Company's absolute TSR is less than 8% per annum over the Vesting Period.

100% of the second half of the matching award will vest for upper decile performance when the Company's TSR is compared with the TSR of the constituent companies of the FTSE Real Estate sector, with no part of this award vesting if performance is below this level. None of this part of the award will vest if the Company's absolute TSR is less than 15% per annum over the Vesting Period.

No re-testing of the performance criteria will occur.

The Lodged Shares

The Lodged Shares cannot be forfeited by participants regardless of performance as these have already been "earned" through the mechanism of the annual bonus (or the CAP) scheme and they have been purchased with post-tax income. Any increases/decreases in the value of the Lodged Shares will therefore be received/borne by the participants. However, the Lodged Shares must be held for at least the duration of the performance period otherwise any matching award may be forfeited. If a participant, without the consent of the Remuneration Committee, disposes of shares in the Company which he held at the date of grant of a COIP Award, the Remuneration Committee may, in its absolute discretion, decide that such disposal equates to a disposal of all or any of the Lodged Shares and that all or part of a COIP Award shall not vest but shall be forfeited.

The Lodged Shares are owned by the participants who shall be entitled to exercise the voting power attaching to those shares and shall be entitled to receive dividends.

Award price

The award price will be determined by the Remuneration Committee. If, as anticipated, awards will be satisfied by the transfer of shares purchased on-market by trustees, the award price may be nil. The award price will not be less than the nominal value of a share where awards will be satisfied by the issue of shares directly to the award holder. Flexibility has been retained for the award price to be set at any other value (for example, at the market value of a share).

Vesting of COIP Awards

A COIP Award will vest only at a time or times between the third anniversary of its date of award and the tenth anniversary of that date, except in certain circumstances.

2009 COIP Awards

In 2009 no recommendation was made by the Committee to the Trustees of the COIP for a grant of matching shares. In addition, the Committee has agreed that no new awards will be made in the near future.

In 2008 the Committee recommended that the Trustees of the COIP grant matching awards to the following executive directors:

Director	Shares purchased	Maximum matching award
X Pullen	100,000	402,740
K Ford	125,000	503,425
C Staveley	25,000	100,685

Following the Capital Raising, the number of shares subject to matching awards was adjusted by the same factor used in the rebasing of the SAYE Scheme. The directors were eligible to receive two shares for every one Lodged Share; following the adjustment and as shown in the table above, the directors are eligible to receive 4.0274 shares for every one Lodged Share.

SAYE Scheme

Employee eligibility

Generally, all UK resident and ordinarily resident employees and executive directors of a participating company (who in the case of directors are contracted to work at least 25 hours per week for the Group) are eligible to participate in an SAYE scheme. The Grantor will have the discretion to set a minimum service requirement of up to five years in order for an employee or executive director to be eligible to participate in a particular offer under the SAYE Scheme. All executive directors have waived their right to participate in the SAYE Scheme.

Savings contract

When an employee accepts an invitation to participate in an issue of SAYE Scheme options he will be required to enter into a savings contract for a period of 3 or 5 years under which he must save between £5 and £250 per month (or such other minimum or maximum amount determined by the directors and permitted by legislation). The £250 limit is reduced by any other savings contract linked to this or any other savings related share option scheme. These contributions will be deducted from the employee's salary.

If the participant ceases to make contributions before the third or fifth anniversary of the commencement of the savings contract, the option will lapse, except in the case of a deferral of contributions for a period of up to six months.

Exercise price

The option exercise price shall be determined by the directors and will be not less than 80% of the market value of a share on the dealing day, or the average of up to five dealing days, immediately prior to the date of invitation (or, in the case of an option where the Group has determined that the option exercise will be satisfied by the issue of shares directly to the participant, the exercise price shall not be less than the nominal value of a share, if higher).

Exercise of options

During the period of six months following the end of the savings contract, the participant may exercise his option to acquire, at the exercise price, ordinary shares up to the total value of his monthly savings contributions (plus any bonus or interest paid thereon where appropriate). Alternatively, the participant may withdraw his contributions and any bonus or interest.

Termination of employment

If a participant ceases to be employed within the Group during the savings period, his option will lapse except where cessation is due to death, injury, disability, redundancy or retirement or as a result of the Company or the part of the business by which the participant was employed ceasing to be a member or part of the Group, in which case the participant will be able to exercise his option within six months (or 12 months in the case of his personal representatives after death) from the date of cessation of employment, but only to the extent of his total savings plus any interest or bonus accrued.

Takeover, reconstruction, amalgamation and winding up

In the event of a takeover, reconstruction, amalgamation or voluntary winding up of the Company during the savings period, participants may exercise options early and within a specified period to the extent of their total savings plus any interest or bonus accrued to the date of exercise. If the acquiring company agrees, the option may be exchanged for an option over shares in the acquiring company.

Following the Capital Raising in September 2009, the share price of the options awarded under the SAYE Scheme was adjusted from 46p per share to 22.83p per share in accordance with a methodology approved by HMRC.

Directors' emoluments

	Salary and fees £000	Total benefits £000	2006 CAP payment £000	Pension contributions £000	**2009 Total £000**	2008 Total £000
Executive directors						
H Scott-Barrett	340	2	–	60	**402**	319
X Pullen	292	3	12	52	**359**	1,669
K Ford	282	3	12	42	**339**	1,828
PY Gerbeau	175	1	10	26	**212**	1,457
C Staveley	260	2	–	39	**301**	76
Non-executive directors						
T Chandos	125	–	–	–	**125**	125
P Stobart	42	–	–	–	**42**	42
H Mautner	18	–	–	–	**18**	36
A Coppin	42	–	–	–	**42**	42
P Newton	41	–	–	–	**41**	36
M Wolstenholme	42	–	–	–	**42**	63
L Norval	11	–	–	–	**11**	–
N Haasbroek	11	–	–	–	**11**	–
Previous executive directors						
M Barber	–	–	–	–	**–**	2,242
W Sunnucks	–	–	–	–	**–**	1,451
Total	1,681	11	34	219	**1,945**	9,386

Directors' remuneration report continued

Interests in shares

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

	30 December 2009 Shares	30 December 2008 Shares
H Scott-Barrett	**825,000**	275,000
X Pullen	**2,796,181**	1,296,181
K Ford	**1,745,042**	689,444
C Staveley	**233,121**	77,707
P Y Gerbeau	**n/a**	100,970
T Chandos	**420,312**	140,071
A Coppin	**10,050**	3,350
H Mautner	**n/a**	38,083
P Newton	**13,800**	4,600
P Stobart	–	–
M Wolstenholme	**84,687**	28,229
L Norval	**92,909,750**	–
N Haasbroek	**92,705,500**	–

L Norval and N Haasbroek are beneficially interested in the shares registered in the name of Parkdev International Asset Managers (Pty) Limited and Pinelake International Limited.

There have been no changes to the directors' interests in shares between 30 December 2009 and the date of this report.

Interests in share options

Share options held by directors were as follows:

	As at 30 December 2009	As at 30 December 2008	Exercise price (p)	Earliest exercise date	Latest exercise date	Exercise condition met	Gain on exercise (£)
K Ford	**50,000**	50,000	211.5	13/09/03	13/09/10	Yes	–
X Pullen	**50,000**	50,000	211.5	13/09/03	13/09/10	Yes	–

During the year, the share price ranged from a high of 98p to a low of 13.75p. The share price as at 30 December 2009 was 33.5p.

No share options were granted during 2009 and no further awards can be made under these schemes.

Approval

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and was approved by the Board of directors and signed on its behalf by:

F Desai
Company Secretary
17 March 2010

Corporate governance report

Introduction

The Board of directors is accountable to the Company's shareholders for the management and control of the Group's activities and is committed to high standards of corporate governance. This report and the directors' remuneration report describe how the Company complies with the provisions of the June 2008 Financial Reporting Council Combined Code on Corporate Governance ("the Combined Code").

Statement of compliance

The Company has complied throughout the year ended 30 December 2009 with the provisions set out in Section 1 of the Combined Code with two exceptions. Firstly, in the period between the retirement of H Mautner on 22 June 2009 and the resignation of PY Gerbeau on 31 July 2009, the Company did not comply with the Combined Code as the Board comprised five executive directors and four independent non-executive directors. Secondly, L Norval and N Haasbroek as non-executive directors are not considered independent for the purposes of the Combined Code as they represent a significant shareholder of the Company. Therefore, the Board is not in compliance with the Combined Code as at the date of this report as half the Board members are not independent.

The Board has considered this matter and considers that this non-compliance with the Combined Code does not impede the effective operation of the Board in light of the strength and skills of the independent non-executive directors of the Board. However, the Board will keep under close review the balance of directors on the Board and may appoint one or more further independent non-executive directors in due course. This section applies to the Capital & Regional plc Group and all its subsidiaries.

Application of the principles

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

The Board of directors

Details of the directors are set out before the Directors' report. The Company is controlled through the Board of directors, which comprised the Chairman, four executive and six non-executive directors. During the year, H Mautner retired on 22 June 2009, PY Gerbeau resigned on 31 July 2009 and L Norval and N Haasbroek were appointed on 15 September 2009.

Board balance and independence

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

P Stobart continued to serve as the Senior Independent Director as required by the Combined Code for the year ended 30 December 2009.

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

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

Board effectiveness

The Board has adopted a schedule of matters reserved for its decision and a schedule of matters delegated to committees, both of which are reviewed at least annually. The Board reserves approval for all significant or strategic decisions including major acquisitions, disposals and financing transactions. The directors are entitled to take independent professional advice as and when necessary.

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

The Audit Committee, Remuneration Committee and Nomination Committee consist solely of non-executive directors and meet at least twice a year.

Corporate governance report continued

Re-election

All members of the Board are subject to the re-election provisions in the Articles which require them to offer themselves for re-election at least once every three years and at the first AGM after appointment, if appointed after the last AGM. Details of those directors offering themselves for re-appointment are set out in the directors' report.

Performance evaluation

A performance evaluation of the Board and the committees is conducted each year with each director giving detailed input. The Chairman meets as necessary, but at least once each year, with the non-executive directors without the executive directors present. The non-executive directors meet annually without the Chairman in order to appraise his performance. This meeting is chaired by the Senior Independent Director. The Chairman evaluates the performance of the remaining directors and the results of the appraisals are analysed and summarised by the Senior Independent Director and discussed with the Chairman. Subsequently, the results are discussed by the Board and relevant consequential changes are made.

Information and professional development

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

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

Nomination Committee

The Committee comprises T Chandos (Chairman), P Stobart, and M Wolstenholme. The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both executive and non-executive appointments to the Board. On an annual basis, the Nomination Committee also considers succession planning for the Board. The Board members are given an opportunity to meet the individual concerned prior to any formal decision. The terms of reference of the Nomination Committee are available for inspection on the Group's website.

Board and committee meetings

The number of meetings of the Board and of the Audit, Remuneration and Nomination Committees, and individual attendance by directors, is set out below. There were fourteen full Board meetings during the year, seven of which were scheduled meetings and seven were ad-hoc meetings.

Board meetings attendance

	Scheduled meetings	Ad hoc meetings	Total attendance
T Chandos	7	7	14
H Scott-Barrett	7	7	14
X Pullen	7	7	14
K Ford	6	7	13
C Staveley	7	6	13
PY Gerbeau *	1	3	4
H Mautner *	3	2	5
P Stobart	7	4	11
M Wolstenholme	5	6	11
A Coppin	6	5	11
P Newton	5	6	11
L Norval *	2	2	4
N Haasbroek *	2	2	4

* These directors became eligible to attend meetings on appointment to the Board or were no longer eligible to attend once they had ceased to be directors.

Audit Committee meetings

There were seven Audit Committee meetings during the year.

	Attendance
P Stobart	6
A Coppin	6
M Wolstenholme	7

Remuneration Committee meetings

There were three Remuneration Committee meetings during the year.

	Attendance
M Wolstenholme	3
P Stobart	3
P Newton	3

Nomination Committee meeting

There was one Nomination Committee meeting during the year.

	Attendance
T Chandos	1
P Stobart	1
M Wolstenholme	1

Responsible Business Committee meetings

There were three Responsible Business Committee meetings during the year.

	Attendance
A Coppin	3
X Pullen	3

On occasion, Board meetings or committee meetings may be missed due to circumstances beyond the director's control.

Directors' remuneration

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

Shareholder relations

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

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

Accountability and audit

Financial reporting

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

Internal control

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

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

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

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

- Defined organisational responsibilities and authority limits exist throughout the Group. The day-to-day involvement of the executive directors in the running of the business ensures that these responsibilities and limits are adhered to.

- Financial reporting to the Board with regular reports from the Fund Managers of The Mall, The Junction and X-Leisure funds and for the Group as a whole, including the preparation of budgets and forecasts, cash management, variance analysis, property, taxation and treasury reports and a report on financing.

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

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

Corporate governance report continued

Audit Committee

The Audit Committee consists of three non-executive directors. P Stobart acted as Chairman until 24 February 2009 from which date M Wolstenholme took over as Chairman. A Coppin is the third member of the Audit Committee. The qualifications of the Audit Committee members are set out in the directors' biographies.

The terms of reference of the Audit Committee are available for inspection on the Group's website. The role of the Audit Committee is to maintain a relationship with the Group's external auditors and to review, in depth, the Group's financial statements, internal financial control and risk management systems and circulars to shareholders in order to monitor financial integrity within the Group.

The Audit Committee is also responsible for reviewing the cost-effectiveness and the volume of non-audit services provided to the Group by its external auditors. The Group does not impose an automatic ban on the Group's external auditors undertaking non-audit work, and details of fees paid to the Group's external auditors are detailed in note 8 to the financial statements. The Group's aim is always to have any non-audit work involving the Group's external auditors carried out in a manner that affords value for money and ensures independence is maintained by monitoring this on a case-by-case basis.

The Group's policy is that the audit firm must not be in a position of conflict in respect of the work in question and must have the skill, competence and integrity to carry out the work in the best interests of the Group. The Audit Committee reviews and makes recommendations to the Board for the re-appointment of the Group's external auditors. During the year, the Group conducted a tender process in respect of its external audit work with two other accountancy firms of similar calibre to its current external auditors. Following the tender process, the Group's current auditors, Deloitte LLP, proved to be the most effective and were retained as the Group's external auditors. In order to maintain independence the audit partner of the Group's external auditors is subject to rotation at regular intervals.

The Audit Committee normally meets five times a year; there is one meeting to approve the audit plan and two for each of the interim and final announcements. The first of the pre-announcement meetings is held early enough to allow the Committee members to have real input into the presentation of the financial statements. The Chairman of the Audit Committee reports back to the Board on the key conclusions.

The Committee discharged its obligations in respect of the financial year as follows:

- Financial reporting: during the year the Committee reviewed the interim and annual financial statements. The Committee received a report from the external auditors setting out accounting or judgmental issues which required its attention. The auditors' reports were based on a full audit (annual report) and a high level review (interim report) respectively. The Committee also advised the Board on a number of other matters.

- Internal controls and risk management: the Audit Committee met with the external auditors to deal with any significant internal control matter. In the year under review the Committee met with the external auditors on five occasions.

- Internal audit: the Group does not have an internal audit function but has carried out a Group risks and control review. The Audit Committee will continue to review the position, but the belief at present is that the current size and complexity of the Group does not justify establishing an internal audit function.

Going concern

In compliance with the Listing Rules of the Financial Services Authority and with reference to the guidance issued by the Financial Reporting Council in October 2009, the directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board believes that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the financial statements are prepared on a going concern basis. Further details are included in note 1 to the financial statements.

F Desai
Company Secretary
17 March 2010

Responsible business

Overview
Capital & Regional believes that the long-term success of its business depends on the Group's ability to build sustainable relationships with investors, customers, suppliers, local communities and its own people.

The Group aims to ensure that its operations are carried out in a responsible manner. The key areas where the Group has an impact are the marketplace (customers and suppliers), the environment, the workplace and local communities.

This section of the annual report outlines the Group's approach to each of these areas, highlighting some of the activities that took place during 2009.

Responsible Business Committee
The Responsible Business Committee provides strategic direction and a forum for support to those accountable for responsible business at the operating level. The Responsible Business Committee met three times during 2009. The Committee consists of two Board directors, Alan Coppin (Chairman) and Xavier Pullen, as well as representatives at the operating level. The Committee reports regularly to the Board.

Marketplace – customers and suppliers
The Group's policy is to treat those who occupy, use and supply its properties with respect and to engage with them as partners. It aims to work closely with its tenants to respond to their needs and their customers' needs, for example, through marketing and safety initiatives at its shopping centres. It also looks to form strong relationships with suppliers and to engage with them on responsible business matters.

The success of these relationships is measured at the operating level. For example, The Mall commissions independent tenant satisfaction surveys annually and SNO!zone conducts regular customer surveys, the results of which are published internally each month. The aim is to listen to feedback received and to maintain or improve customer and tenant satisfaction. So far this has been achieved in line with one of the Group's 2009 objectives.

Approach to health and safety
Three years ago the Group launched its own bespoke health and safety compliance system, MallSafe (now rebranded to C&R Safe), with the aim that all the Group's shopping centres would achieve a standard of excellence in this area. The system has proved a success since its launch and has gained a reputation across the industry. The Group has been awarded the Royal Society for the Prevention of Accidents (ROSPA) gold award for three consecutive years. In 2009, 19 centres achieved Gold Award status following their external health and safety audit and two were awarded a score of 100%.

2009 Highlights
In addition to the health and safety achievements explained above, the highlights for 2009 are as follows:

- The Junction has proactively assisted tenants through challenging market conditions by offering rental concessions where tenants have been able to demonstrate that they are struggling with trade.

- The Junction operations team continued to improve safety standards within car parks in order to reduce crime and anti-social behaviour. As in previous years, Park Mark accreditation, a recognised standard awarded by the Association of Chief Police Officers, was achieved by all retail parks. All retail parks have state of the art CCTV which is centrally managed and monitored, to improve safety and security for retailers, consumers and staff.

2010 Priorities
- To continue to monitor customer care levels through focused customer research.

- To launch a selection of best practice initiatives as identified through the C&R Safe audit process.

- To retain the ROSPA Gold Award status.

Case Study – Make Your Mark (MYM)
Retail Merchandising Units (RMUs) are responsible for £2.5 million of income across the Group's shopping centre portfolio and are the gateway for many to get started in retail. MYM is in its third year and is a platform for the Group to raise awareness of the RMUs as a local business opportunity, to introduce new and exciting products to the Malls and to help grow the retailers of the future. The Group's "MYM in Retail" competition gives help to individuals interested in starting a retail business. In partnership with The Royal Bank of Scotland, Enterprise UK and National Skills Academy, one lucky business will be offered six months rent free trading space in one of the shopping centres during 2010.

Responsible business continued

The Environment

The Group believes it has a significant role to play in combating environmental degradation. It strives to continuously improve the environmental sustainability of its investments through its Environmental Policy which states that, as a minimum, the Group and its businesses will:

- comply with all relevant environmental legislation and regulations;
- identify and measure the most significant environmental impacts;
- set targets to improve environmental performance in these areas;
- include environmental criteria when choosing services and goods to purchase and communicate objectives to its suppliers; and
- communicate the policy, targets and environmental activities to all staff and interested parties.

All the Group's operational areas are expected to identify their own environmental impact, in areas such as the use of energy, water and other natural resources and the production and disposal of waste, and to develop appropriate responses.

The Mall takes part in the annual Upstream Sustainability Benchmarking survey which enables assessment of environmental performance on a property-by-property basis. The 2009 survey will be published in May 2010 and it is anticipated that the results will show an improvement in performance for the fifth consecutive year.

Carbon Management Plans have been written for all three Xscape properties in line with the 2009 priority of focusing on reducing carbon output.

2009 Highlights

- At Xscape Castleford there has been a focus on reducing electricity consumption. Lighting has been replaced with energy efficient bulbs and unnecessary or faulty lighting has been removed. In addition, there was a total shutdown of the gas supply to the site during the summer which had no detrimental effect on customer experience.
- At Xscape Milton Keynes the heating has been turned off during peak demand times in line with Triad warnings highlighted by our energy brokers.
- All The Mall shopping centres have continued the EnviroMall initiative, designed to take a lead in the environmental management of covered shopping centres in the UK.
- Environmental Data for The Mall for 2009 shows achievement against targets in the areas of energy, gas and waste as follows:

Energy	9.3% reduction	1,492 CO_2 tonnes saved
Gas	3.96% reduction	46 CO_2 tonnes saved
Waste	57% of waste recycled	78% diverted from landfill

- Over the last ten years The Mall has made over £2.6 million in energy savings which represents enough energy to run 25 shopping centres for a year.
- In the Maastricht University European Real Estate Survey on Environmental Management 2010 The Mall won first place in the European Private Fund category.
- EnviroMall week was held in August 2009. The Mall collected 211,074 hangers and recycled them through a national agreement with Shanks.
- At SNO!zone a 7% drop in energy use on the snow side and an 11% drop in the warm side (bars, changing areas, offices etc.) of the operation has been achieved in 2009.

2010 Priorities

- To monitor and focus on reducing carbon output across all of the Group's operations.
- For SNO!zone, to consider further economical use of building management systems and to reduce energy consumption by a further 5%.
- Across the Malls, to deliver the objectives as per the Environmental Impact Improvement Plan. These include reducing energy use by 5%, water use by 5% and recycling 65% of waste.
- Across the Malls, to automate environmental data collection for electricity, gas and water usage, to prepare the business for compliance with the carbon reduction commitment regulations and to retain the Carbon Trust standard.
- Via the MallClean initiative, to maintain high standards of cleaning and average monthly brand standard performance measurement scores of at least 92% whilst re-engineering the contract commercial package to create efficiencies and savings.

Case study – SNO!zone Snowbox Chiller Shut Down

In 2008 Milton Keynes trialled the temporary shut down of the chiller plant and found that, for two hours per day, the impact on the snow was negligible and average savings of 6% electrical energy were achieved. The initiative was rolled out to Braehead in March 2008 and Castleford in June 2008. In 2009 Milton Keynes achieved a saving of 12% against 2008, Braehead a saving of 4% and Castleford 5%. For 2010 the Group aims to continue increasing chiller shutdown, with each site aiming to achieve a further average 6% reduction.

The workplace

Capital & Regional aims to recruit and retain the best staff available and provides fair pay, good working conditions and achievement of health and safety standards in order to help achieve this. Employees are treated fairly and equally and staff development is encouraged through training and other opportunities. Capital & Regional has an equal opportunities policy which encourages and promotes diversity. The Group fosters a working culture that is professional and enjoyable, where team sprit prevails and all individuals' contributions are valued. The Mall has been accredited as an "Investor in People" since 2002 and has a wide-ranging training and development programme under the banner of "M Power".

2009 Highlights

- In the Leisure division, a new performance management process was launched to help managers to understand the benefits of effective, ongoing management of their people. Staff are now graded on technical and behavioural competencies.

- Across The Mall, a significant number of employees were involved in events as volunteers throughout 2009, meeting The Mall's stated objective of encouraging a wider participation in volunteering. These events raised funds for local charities and supported community projects and initiatives. One example is a member of the team at The Mall in Norwich who spends a considerable amount of time each week as a volunteer working with young people with special needs.

2010 Priorities

- To continue to develop employee volunteering links and to encourage wider participation.

- To conduct a training needs exercise in X-Leisure Limited.

Local communities

The Group aims to provide local communities with safe, clean and attractive centres in which to shop, work and spend leisure time. A key objective is that local people see the centres as positive assets to their area and to achieve this the Group listens and responds to the views of local people.

The Group actively participates in activities that bring sustainable support and benefit to local areas, for example fund raising and donating to local charities. This allows it to build ongoing positive relationships with local people and communities and contributes to the long-term prosperity of the business. The Group also pursues opportunities to contribute to economic, social and environmental regeneration.

2009 Highlights

- Over the last five years, MallCares has developed a bond between each shopping centre and the local community. During 2009 over £1 million was raised for local and national charities from the shopping centre portfolio.

- The Junction sponsored a community arts project at St Andrews Quay Retail Park in Hull to create a 50 ft mural to recognise the heritage of the area.

- At West India Quay a four-week festival of free events and entertainment took place in the summer. The event was split into Art Week, Music Week, Sports Week and Street Week.

2010 Priorities

- To continue fund raising under the MallCares programme.

- In The Junction, to create a memorial garden in the St Andrews Dock area dedicated to the 58 men that died on three Hull trawlers in 1968.

- In The Junction, to run a community boat for disadvantaged and disabled children and community groups along the historic inland waterway from Swansea to Port Talbot.

- In X-Leisure, to continue to offer free events to customers throughout 2010, to encourage local community engagement and sustain visitor numbers.

- To continue to develop security excellence at The Mall through the application of the Community Safety Accreditation Scheme, Action Against Business Crime, LeisureWatch, Park Mark and Project Argus through the National Counter Terrorism Security Office.

Case Study – Park Mark Safer Parking Scheme

The Park Mark Safer Parking Scheme is an initiative of the Association of Chief Police Officers and is aimed at reducing both crime and the fear of crime in parking facilities. Safer Parking status is awarded to parking facilities that have met the requirements of a risk assessment conducted by the police.

All 15 car parks that are owned and operated by The Mall currently hold the Park Mark award status. This reflects continual investment in car parks, security teams and CCTV infrastructure.

The 2009 British Security Industry Authority (BSIA) Best Team Award for the North West was won by the VSG Team at The Mall Blackburn for maximising the potential of a new CCTV installation and for working with the local police to achieve a significant reduction in crime. The 2010 BSIA Best Team for Scotland went to the VSG Team at The Mall Aberdeen.

Conclusion

Capital & Regional believes that the value of its business is best enhanced by respecting the interests of all its stakeholders and that the creation of long term financial returns is dependent on effective management of environmental and social performance. The Group is committed to fulfilling its key objectives to respond to the challenges currently facing the business.

Consolidated income statement

For the year to 30 December 2009

	Note	2009 £m	2008 £m
Rents, management fees and other revenue	4a	**37.8**	75.3
Performance fees	4a,4b	**–**	(9.9)
Revenue	4a	**37.8**	65.4
Cost of sales	5	**(16.0)**	(41.7)
Gross profit		**21.8**	23.7
Administrative costs		**(15.5)**	(23.1)
Share of loss in joint ventures and associates	18a	**(106.8)**	(432.9)
Loss on revaluation of investment properties	13a	**(2.8)**	(31.7)
Loss on sale of properties and investments	13c	**(0.2)**	(6.5)
Impairment of goodwill	14	**(1.6)**	(8.0)
Loss on ordinary activities before financing		**(105.1)**	(478.5)
Finance income	6	**2.7**	2.4
Finance costs	7	**(11.0)**	(40.2)
Loss before tax	8	**(113.4)**	(516.3)
Current tax	10a	**(3.7)**	1.1
Deferred tax	10a	**(2.6)**	13.0
Tax (charge)/credit		**(6.3)**	14.1
Loss for the year		**(119.7)**	(502.2)
Basic loss per share	12a	**(59)p**	(355)p
Diluted loss per share	12a	**(59)p**	(355)p

All results derive from continuing activities. The loss for the current year and the preceding year is fully attributable to equity shareholders.

Comparative loss per share figures have been restated to show the impact of the open offer element of the Capital Raising in September 2009 but exclude the impact of the firm placing element.

Consolidated balance sheet

As at 30 December 2009

	Note	**2009 £m**	2008 £m
Non-current assets			
Investment properties	13a	**10.2**	15.3
Long leasehold owner-occupied property	13a	**–**	10.8
Goodwill	14	**2.6**	4.2
Plant and equipment	15a	**1.0**	1.3
Available-for-sale investments	15b	**0.3**	0.2
Receivables	16	**25.0**	30.2
Investment in associates	18b	**76.4**	182.3
Investment in joint ventures	18c	**30.3**	34.4
Deferred tax asset	10c	**–**	1.4
Total non-current assets		**145.8**	280.1
Current assets			
Trading properties	13a	**70.7**	72.8
Properties held for sale	13a	**13.5**	–
Receivables	17	**6.9**	14.4
Current tax recoverable		**0.7**	1.6
Cash and cash equivalents	19	**17.5**	4.1
Total current assets		**109.3**	92.9
Total assets		**255.1**	373.0
Current liabilities			
Bank loans	22a	**(0.2)**	(18.7)
Trade and other payables	20	**(24.0)**	(55.7)
Liabilities relating to properties held for sale		**(1.0)**	–
Current tax liabilities		**(8.1)**	(15.9)
		(33.3)	(90.3)
Non-current liabilities			
Bank loans	22a	**(78.6)**	(93.8)
Other payables	21	**(2.2)**	(2.8)
Deferred tax liabilities	10c	**(1.2)**	–
Non-current tax liabilities		**(10.0)**	–
Total non-current liabilities		**(92.0)**	(96.6)
Total liabilities		**(125.3)**	(186.9)
Net assets		**129.8**	186.1
Equity			
Share capital	24	**9.9**	7.1
Share premium account	26	**–**	220.5
Other reserves	26	**153.6**	13.8
Capital redemption reserve	26	**4.4**	4.4
Own shares held	26	**(9.7)**	(9.7)
Retained earnings	26	**(28.4)**	(50.0)
Equity shareholders' funds	23a	**129.8**	186.1
Basic net assets per share	29	**£0.37**	£1.30
Triple net, fully diluted net assets per share	29	**£0.37**	£1.33
EPRA diluted net assets per share	29	**£0.47**	£1.74

Comparative net assets per share figures have been restated to show the impact of the open offer element of the Capital Raising in September 2009 but exclude the impact of the firm placing element.

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 17 March 2010 by:

Charles Staveley
Group Finance Director

Consolidated statement of recognised income and expense

For the year to 30 December 2009

	Note	**2009 £m**	2008 £m
Revaluation loss on owner-occupied property	26	**–**	(2.4)
Foreign exchange translation differences		**(3.9)**	5.9
Net investment hedge		**3.9**	(4.0)
		–	(0.5)
Loss for the year		**(119.7)**	(502.2)
Total recognised income and expense		**(119.7)**	(502.7)
Attributable to:			
Equity shareholders	30	**(119.7)**	(502.7)

Reconciliation of movement in equity shareholders' funds

For the year to 30 December 2009

	Note	**2009 £m**	2008 £m
Opening equity shareholders' funds	30	**186.1**	703.0
Issue of shares net of costs		**63.1**	0.8
Purchase of own shares	26	**–**	(0.7)
Credit in respect of charge for share-based payments	26	**0.3**	1.2
Amortisation of IFRS 1 reserve	27	**–**	(0.1)
		249.5	704.2
Total recognised income and expense		**(119.7)**	(502.7)
		129.8	201.5
Dividends paid	11	**–**	(15.4)
Closing equity shareholders' funds		**129.8**	186.1

Consolidated cash flow statement

For the year to 30 December 2009

	Note	2009 £m	2008 £m
Net cash from operations	28	**5.2**	(23.5)
Distributions received from joint ventures and associates		**2.8**	20.4
Interest paid		**(9.4)**	(25.6)
Interest received		**–**	1.5
Income taxes paid		**(0.7)**	(0.8)
Cash flows from operating activities		**(2.1)**	(28.0)
Investing activities			
Capital expenditure on investment properties		**–**	(1.5)
Acquisitions and disposals of other fixed assets		**(0.1)**	(0.3)
Disposals of subsidiaries		**1.2**	56.0
Investment in associates	18b	**(4.6)**	–
Investment in joint ventures	18c	**(2.1)**	(6.7)
Loans to joint ventures		**(0.9)**	(5.4)
Loans repaid by joint ventures		**6.3**	9.5
Cash flows from investing activities		**(0.2)**	51.6
Financing activities			
Net proceeds from the issue of ordinary share capital		**63.1**	0.8
Purchase of own shares		**–**	(0.7)
Bank loans drawn down		**70.4**	162.3
Bank loans repaid		**(102.5)**	(199.9)
Loan arrangement costs		**(3.7)**	(0.3)
Settlement of foreign exchange forward		**(8.7)**	(2.9)
Termination of interest rate swaps		**(2.9)**	–
Dividends paid to minority interests		**–**	(1.3)
Equity dividends paid	11	**–**	(15.4)
Cash flows from financing activities		**15.7**	(57.4)
Net increase in cash and cash equivalents		**13.4**	(33.8)
Cash and cash equivalents at the beginning of the year		**4.1**	37.1
Effect of foreign exchange rate changes		**–**	0.8
Cash and cash equivalents at the end of the year		**17.5**	4.1

Notes to the financial statements

For the year to 30 December 2009

1 Significant accounting policies

General information

Capital & Regional plc is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The nature of the Group's operations and its principal activities are set out in note 2 and in the operating and financial reviews.

Adoption of new and revised standards

Five interpretations issued by the International Financial Reporting Interpretations Committee were adopted by the Group in the current year:

IFRIC 12 Service Concession Agreements
IFRIC 13 Customer Loyalty Programmes
IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 18 Transfers of Assets from Customers

Three amendments to Standards issued by the International Accounting Standards Board were adopted by the Group in the current year:

Amendments to IFRIC 9 and IAS 39 (March 2009) Embedded Derivatives
Amendments to IAS 39 and IFRS 7 (October 2008) Reclassification of Financial Assets
Amendments to IAS 39 and IFRS 7 (November 2008) Reclassification of Financial Assets – Effective Date and Transition

The adoption of these Interpretations and amendments has not led to any material changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Effective in the forthcoming year:

IFRS 3 (revised January 2008) Business Combinations
IFRS 8 Operating Segments
IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 17 Distributions of Non-cash Assets to Owners
Amendments to IFRS 1 and IAS 27 (May 2008) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IFRS 2 (January 2008) Vesting Conditions and Cancellations
Amendments to IFRS 7 (March 2009) Improving Disclosures about Financial Instruments
Amendments to IAS 1 (September 2007) Presentation of Financial Statements
Amendments to IAS 23 (March 2007) Borrowing Costs
Amendments to IAS 27 (January 2008) Consolidated and Separate Financial Statements
Amendments to IAS 32 and IAS 1 (February 2008) Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IAS 39 (July 2008) Eligible Hedged Items
Improvements to IFRSs 2008 (May 2008)
Improvements to IFRSs 2009 (April 2009)

Effective in future years:

IFRS 9 Financial Instruments
IAS 24 (revised November 2009) Related Party Disclosures
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
Amendments to IFRS 1 (July 2009) Additional Exemptions for First-time Adopters
Amendments to IFRS 2 (June 2009) Group Cash-settled Share-based Payment Transactions
Amendments to IAS 32 (October 2009) Classification of Rights Issues
Amendments to IFRIC 14 (November 2009) Prepayments of a Minimum Funding Requirement

The directors are assessing the impact that the adoption of these Standards and Interpretations will have on the financial statements of the Group in future periods. The changes in IAS 1 will impact the layout of the primary statements in forthcoming years.

1 Significant accounting policies continued

Statement of compliance

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

Basis of preparation

The financial statements are prepared on the historical cost basis except that investment and development properties, owner-occupied properties and derivative financial instruments are stated at fair value. The accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities, income and expenses.

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

Going concern

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

Critical accounting judgements and key sources of estimation uncertainty

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

The critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements, or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The directors believe that the estimates and associated assumptions used in the preparation of the financial statements are reasonable. However, actual outcomes may differ from those anticipated.

- The directors have assessed changes in recent legislation, case law and accounting standards, along with future projections for the Group, in determining the current and deferred tax assets and liabilities and charge to the income statement, as disclosed in note 10.

- The directors have relied upon the work undertaken at 30 December 2009 by independent professional qualified valuers, as disclosed in note 13b, in assessing the fair value of certain of the Group's investment and owner-occupied properties.

- Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires estimates of the expected life of the X-Leisure fund, the future cash flows expected to arise from the management of it and an appropriate discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £2.6 million (2008: £4.2 million) after an impairment of £1.6 million (2008: £8.0 million) during the year as disclosed in note 14.

- The directors have estimated the valuation of properties owned by FIX UK in determining whether to reverse the impairment of the Group's investment in the associate as disclosed in note 18b.

- The directors have relied upon the work undertaken at 30 December 2009 by independent third-party experts in assessing the fair values of the Group's derivative financial instruments, which are disclosed in notes 20 and 23f.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the financial statements continued

For the year to 30 December 2009

1 Significant accounting policies continued

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), joint ventures and associates made up to 31 December each year.

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity, or business, to benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The reporting period for subsidiaries ends on 31 December and their financial statements are consolidated to this date.

Joint ventures and associates

In accordance with IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures", associates and joint ventures are accounted for under the equity method, whereby the consolidated balance sheet and income statement incorporate the Group's share of net assets and losses after tax. The losses include revaluation movements on investment properties. The reporting period for joint ventures and associates ends on 31 December and their financial statements are consolidated to this date. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", associates and joint ventures are reviewed to determine whether any impairment loss should be recognised at the end of the reporting period.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquired entity over the Group's interest in the fair value of the assets, liabilities and contingent liabilities acquired. Goodwill which is recognised as an asset is reviewed for impairment at least annually. The impairment is calculated on the value in use of the goodwill. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Where the fair value of the assets, liabilities and contingent liabilities acquired is greater than the cost, the excess, known as negative goodwill, is recognised immediately in the income statement.

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the period. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction. The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year: £1 = €1.1062 (2008: £1 = €1.0344). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.1229 (2008: £1 = €1.2558).

Net investment in foreign operations

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

Plant and equipment

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

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

1 Significant accounting policies continued

Property portfolio

Investment properties

Investment properties are stated at fair value, being the market value determined by professionally qualified external or director valuers, with changes in fair value being included in the income statement. In accordance with IAS 40 “Investment Property”, no depreciation is provided in respect of investment properties.

Leasehold properties

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

Owner-occupied long leasehold properties

Owner-occupied long leasehold properties are included in the financial statements at fair value with changes in fair value recognised directly in equity except for falls below historic cost which are recognised in the income statement.

Properties under development

Attributable internal and external costs incurred during the period of development are capitalised. Interest is capitalised gross in associates and joint ventures before deduction of related deferred tax relief. There is no interest capitalised in the Group. Interest is calculated on the development expenditure by reference to specific borrowings where relevant. A property ceases to be treated as being under development when substantially all activities that are necessary to make the property ready for use are complete.

Refurbishment expenditure

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

Property transactions

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

Trading properties

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

Head leases

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

Tenant leases and incentives

Management has exercised judgement in considering the potential transfer of risks and rewards of ownership in accordance with IAS 17 “Leases” for all properties leased to tenants and has determined that all such leases are operating leases. Incentives and costs associated with entering into tenant leases are amortised over a straight-line basis over the term of the lease.

Operating leases

Annual rentals under operating leases are charged to the income statement as incurred.

Financial assets and financial liabilities

Cash and cash equivalents

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

Trade receivables and payables

Trade receivables and payables are stated at fair value, less any provision for impairment against trade receivables.

Notes to the financial statements continued

For the year to 30 December 2009

1 **Significant accounting policies** continued

Borrowings

Borrowings are held at amortised cost. They are recognised initially at fair value, after taking into account any discount on issue and attributable transaction costs. Subsequently, such discounts and costs are charged to the income statement over the term of the borrowing at a constant return on the carrying amount of the liability.

In accordance with IAS39 "Financial Instruments: Recognition and Measurement" a substantial modification of the terms of an existing borrowing is accounted for as an extinguishment of the original liability and the recognition of a new liability,

Derivative financial instruments

Derivative financial instruments are designated as at fair value through profit or loss in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". They are recognised initially at fair value, which equates to cost, and are subsequently remeasured at fair value. The fair value of forward foreign exchange contracts is calculated by reference to spot and forward exchange rates at the balance sheet date. The fair value of interest rate and basis swaps is calculated by reference to appropriate forecasts of yield curves between the balance sheet date and the maturity of the instrument. Changes in fair value are included as finance income or finance costs in the income statement, except for gains or losses on the portion of an instrument that is an effective hedge of the net investment in a foreign operation, which are recognised in the net investment hedging reserve.

Minority interest

The minority interest arising from the Group's German operations is classified as a liability and held at fair value in the balance sheet of the joint venture. Under the terms of the contract the minority has a put option to sell their share back to the joint venture typically after five years from acquisition. The minority interest's share of income and expenses while the German operations were wholly owned was treated as a non-recurring finance charge in the income statement.

Tax

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

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

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

Employee benefits

Pension costs

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

Share-based payments

The Group has applied the arrangements of IFRS 2 "Share-based Payment". Equity settled share-based payments are measured at fair value at the date of grant. The fair values of the COIP, Matching Share Agreement and SAYE scheme are calculated using Monte Carlo simulations or the Black-Scholes model as appropriate. The fair value of the 2007 LTIP is calculated using a normal distribution model, which the directors consider not to be materially different from a binominal model. The fair values are dependent on factors including the exercise price, expected volatility, period to exercise and risk free interest rate. Market related performance conditions are reflected in the fair values at the date of grant and are expensed on a straight-line basis over the vesting period. Where awards are cancelled, the remaining fair value is expensed immediately. Non-market related performance conditions are not reflected in the fair values at the date of grant. At each reporting date, the Group estimates the number of shares likely to vest under non-market related performance conditions so that the cumulative expense will ultimately reflect the number of shares that do vest.

1 Significant accounting policies continued

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

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

Performance fees
Performance fees are recognised, in line with the property management contracts, at the end of the performance period to which they relate. CRPM earns performance fees for The Mall on the outperformance over a three-year period relative to the greater of 12% (2008: 12%) and an appropriate IPD index. Where performance falls short of this benchmark, fees are repayable, up to the amount received for the previous two years. Where there is a reasonable likelihood that part of a performance fee will be repaid the estimated repayment will not be recognised as income until the outcome can be reliably estimated. CRPM earns performance fees for The Junction on any realised geared returns in excess of an internal rate of return of 15%, with no provision for clawback, over the period from May 2009 to the disposal of the entire portfolio on the expiry of the fund. X-Leisure Limited earns performance fees for the X-Leisure fund on any realised geared return in excess of an internal rate of return of 15%, with no provision for clawback, over the period from August 2009 to the disposal of the entire portfolio on the expiry of the fund or its conversion into a listed structure. An interim performance fee may be earned on the same basis if the X-Leisure portfolio is reduced to nine properties or fewer.

Net rental income
Net rental income is equal to gross rental income, recognised in the period to which it relates and including tenant incentives, less expenses directly related to letting and holding the properties.

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

Finance costs
All borrowing costs are recognised under finance costs in the income statement in the period in which they are incurred. Finance costs also include the amortisation of loan issue costs; the unwinding of the discounting of liabilities relating to CAP awards; the minority interests' share of income and expenses while the German portfolio was wholly owned; any loss in the value of the Group's wholly owned interest rate swaps; and any loss in the ineffective portion of the Group's hedge of its net investment in a foreign operation.

Segmental reporting
Segments
The Group operates in two main business segments, an assets business and an earnings business. The assets business consists of property investment activities and the earnings business consists of property management activities and the ski slope business of SNO!zone. The businesses are the basis on which the Group reports its primary business segments.

Inter-segment transactions
All transactions between segments are accounted for on an arm's-length basis.

Earnings per share
Historical earnings per share and net asset value per share figures have been restated to show the impact of the open offer element of the Capital Raising in September 2009, but exclude the impact of the firm placing in accordance with IAS 33 "Earnings per Share".

Notes to the financial statements continued

For the year to 30 December 2009

2 Segmental analysis: non statutory information – see-through basis

2a Segmental analysis

Year to 30 December 2009	Note	Assets Property investment UK £m	Property investment Germany £m	Earnings Property management UK £m	SNO!zone £m	Total £m
Net rent	2b	41.2	17.4	–	–	**58.6**
Net interest	2b	(30.8)	(11.3)	–	–	**(42.1)**
Contribution	2b	10.4	6.1	–	–	**16.5**
Management fees		–	–	17.1	–	**17.1**
SNO!zone income	4a	–	–	–	13.7	**13.7**
SNO!zone expenses	5	–	–	–	(12.7)	**(12.7)**
Management expenses		(3.9)	(0.3)	(10.9)	–	**(15.1)**
Net interest on central facility		(2.0)	–	–	–	**(2.0)**
Recurring pre-tax profit		4.5	5.8	6.2	1.0	**17.5**
Variable overheads		–	–	(0.3)	–	**(0.3)**
Revaluation of investment properties	12a	(97.9)	(10.5)	–	–	**(108.4)**
Deemed disposals from The Junction and X-Leisure open offers	18a	(7.2)	–	–	–	**(7.2)**
Loss on disposals		(9.4)	–	–	–	**(9.4)**
Impairment of trading properties	13a	(2.1)	–	–	–	**(2.1)**
Impairment of goodwill	14	–	–	(1.6)	–	**(1.6)**
Gain/(loss) on financial instruments		1.4	(1.1)	–	–	**0.3**
Other non-recurring items		(2.9)	1.2	(0.5)	–	**(2.2)**
(Loss)/profit before tax		(113.6)	(4.6)	3.8	1.0	**(113.4)**
Tax	10a					**(6.3)**
Loss after tax						**(119.7)**
Net assets/(liabilities)		95.5	32.4	3.6	(1.7)	**129.8**

Properties held for sale are included in the Property Investment UK segment.

2b Contribution

Year to 30 December 2009	Note	Gross rent £m	Property costs £m	Void costs £m	Net rent £m	Net interest £m	Contribution £m
The Mall (Group share: 16.7%)[1]	18d	25.5	(5.6)	(1.5)	18.4	(11.5)	6.9
The Junction (Group share: 13.4%)[1]	18d	8.2	(1.1)	(0.1)	7.0	(6.4)	0.6
X-Leisure (Group share: 11.9%)[1]	18d	8.1	(1.6)	(0.2)	6.3	(4.6)	1.7
Total associates		**41.8**	**(8.3)**	**(1.8)**	**31.7**	**(22.5)**	**9.2**
German portfolio (Group share: 50%)[1]	18e	20.0	(2.5)	(0.1)	17.4	(11.3)	6.1
Other (Group share: 30–50%)[1]	18e	4.1	(0.9)	(0.3)	2.9	(3.0)	(0.1)
Total joint ventures		**24.1**	**(3.4)**	**(0.4)**	**20.3**	**(14.3)**	**6.0**
Statutory information							
UK investment properties		1.1	(0.3)	–	0.8	(0.9)	(0.1)
Total rental income from investment property		1.1	(0.3)	–	0.8	(0.9)	(0.1)
Great Northern[2]		6.7	(0.7)	(0.2)	5.8	(4.4)	1.4
Total rental income from wholly owned property	4a	**7.8**	**(1.0)**	**(0.2)**	**6.6**	**(5.3)**	**1.3**
Total on a see through basis	2a	**73.7**	**(12.7)**	**(2.4)**	**58.6**	**(42.1)**	**16.5**

With the exception of the German portfolio, all associates and joint ventures are held within the United Kingdom and Jersey.

1 The Group's average share during the year. As described in note 18b, following an open offer on 15 May 2009, the Group's share in The Junction fell from 27.32% to 13.44% and following an open offer on 31 July 2009, the Group's share in X-Leisure fell from 19.37% to 11.93%.
2 Great Northern is carried as a trading property in the balance sheet.

2 Segmental analysis: non statutory information – see-through basis continued

2a Segmental analysis

Year to 30 December 2008	Note	Assets Property investment UK* £m	 Property investment Germany £m	Earnings Property management UK £m	 SNO!zone £m	**Total*** **£m**
Net rent	2b	56.7	29.4	–	–	**86.1**
Net interest	2b	(44.9)	(16.7)	–	–	**(61.6)**
Contribution	2b	11.8	12.7	–	–	**24.5**
Management fees		–	–	22.8	–	**22.8**
SNO!zone income	4a	–	–	–	14.9	**14.9**
SNO!zone expenses	5	–	–	–	(13.4)	**(13.4)**
Management expenses		(3.2)	(1.6)	(13.9)	–	**(18.7)**
Net interest on central facility		(2.5)	–	–	–	**(2.5)**
Recurring pre-tax profit		6.1	11.1	8.9	1.5	**27.6**
Performance fee clawback	4a	–	–	(9.9)	–	**(9.9)**
Benefit of performance fee clawback	18d	2.4	–	–	–	**2.4**
Variable overhead		–	–	0.1	–	**0.1**
Revaluation of investment properties		(339.9)	(34.0)	–	–	**(373.9)**
Deemed disposal from The Mall rights issue and related costs	18a	(26.2)	–	(2.6)	–	**(28.8)**
Loss on disposals		(41.9)	(0.4)	–	–	**(42.3)**
Impairment of trading property	13a	(23.5)	–	–	–	**(23.5)**
Impairment of goodwill	14	–	–	(8.0)	–	**(8.0)**
Impairment of associate	18b	(8.4)	–	–	–	**(8.4)**
Loss on financial instruments		(36.4)	(11.4)	–	–	**(47.8)**
Other non-recurring items		(2.8)	2.0	(3.0)	–	**(3.8)**
(Loss)/profit before tax		(470.6)	(32.7)	(14.5)	1.5	**(516.3)**
Tax	10a					**14.1**
Loss after tax						**(502.2)**
Net assets/(liabilities)		152.1	39.9	(3.5)	(2.4)	**186.1**

* Restated to show net interest on central facility separately.

2b Contribution

Year to 30 December 2008	Note	Gross rent £m	Property costs £m	Void costs £m	Net rent £m	Net Interest £m	Contribution £m
The Mall (Group share: 20.4%)[1]	18d	35.4	(8.5)	(1.4)	25.5	(16.8)	8.7
The Junction (Group share: 27.3%)[1]	18d	13.8	(2.4)	(0.3)	11.1	(9.9)	1.2
X-Leisure (Group share: 19.4%)[1]	18d	10.4	(2.3)	(0.3)	7.8	(5.7)	2.1
FIX UK (Group share: 20.0%)[3]		1.9	(0.1)	(0.1)	1.7	(1.9)	(0.2)
Total associates		61.5	(13.3)	(2.1)	46.1	(34.3)	11.8
German portfolio (Group share: 50%)[2]	18e	4.7	(0.6)	–	4.1	(1.7)	2.4
Other (Group share: 30–50%)[1]		4.0	(0.7)	(0.2)	3.1	(3.8)	(0.7)
Total joint ventures		8.7	(1.3)	(0.2)	7.2	(5.5)	1.7
Statutory information							
German portfolio[2]		27.9	(2.6)	–	25.3	(15.0)	10.3
FIX UK[3]		1.7	(0.3)	–	1.4	(1.4)	–
Other UK (restated)		1.4	(0.4)	–	1.0	(1.4)	(0.4)
Total rental income from investment property		31.0	(3.3)	–	27.7	(17.8)	9.9
Great Northern[4]		6.6	(0.9)	(0.6)	5.1	(4.0)	1.1
Total rental income from wholly owned property	4a	37.6	(4.2)	(0.6)	32.8	(21.8)	11.0
Total on a see through basis	2a	107.8	(18.8)	(2.9)	86.1	(61.6)	24.5

With the exception of the German portfolio, all associates and joint ventures are held within the United Kingdom and Jersey.

1 The Group's average share during the year. As described in note 18b, following the rights issue on 27 June 2008, the Group's share in The Mall fell from 24.24% to 16.72%.
2 With the exception of Capital & Regional (Europe Holding 4) Limited, the German portfolio was treated as wholly owned until 6 October 2008 after which the sale of 50% of the Group's share of the relevant entities meant they were treated as joint ventures. Capital & Regional (Europe Holding 4) Limited was treated as wholly owned until 30 December 2008.
3 FIX UK was wholly owned until 6 March 2008, after which the Group's share was reduced to 20% and it was treated as an associate.
4 Great Northern is carried as a trading property in the balance sheet.

Notes to the financial statements continued

For the year to 30 December 2009

3 Segmental analysis: statutory basis

3a Primary business segments

Year to 30 December 2009	Note	Assets Property investment UK £m	Assets Property Investment Germany £m	Earnings Property management UK £m	SNO!zone £m	**Total £m**
Revenue from external sources	4a	8.4	–	15.7	13.7	**37.8**
Transactions with other segments		0.9	–	0.3	–	**1.2**
Total segment revenue		9.3	–	16.0	13.7	**39.0**
Cost of sales	5	(3.3)	–	–	(12.7)	**(16.0)**
Transactions with other segments		(0.2)	–	(0.9)	(0.1)	**(1.2)**
Administrative costs		(6.8)	(0.3)	(8.4)	–	**(15.5)**
Impairment of goodwill	14	–	–	(1.6)	–	**(1.6)**
Loss on sale of properties and investments		(0.2)	–	–	–	**(0.2)**
Loss on revaluation of investment properties	13a	(2.8)	–	–	–	**(2.8)**
Segment result		(4.0)	(0.3)	5.1	0.9	**1.7**
Share of loss in joint ventures and associates *		(102.6)	(4.2)	–	–	**(106.8)**
Net finance costs		(8.5)	0.2	–	–	**(8.3)**
(Loss)/profit before tax		(115.1)	(4.3)	5.1	0.9	**(113.4)**
Segment assets		139.0	1.3	3.9	3.5	**147.7**
Interest in joint ventures and associates						**106.7**
Tax assets – current tax						**0.7**
Tax assets – deferred tax						**–**
Consolidated total assets						**255.1**
Segment liabilities		(18.6)	(0.1)	(3.3)	(5.2)	**(27.2)**
Interest bearing liabilities						**(78.8)**
Tax liabilities						**(19.3)**
Consolidated total liabilities						**(125.3)**
Capital expenditure		–	–	–	0.1	**0.1**
Depreciation		–	–	0.1	0.3	**0.4**
Significant other non cash expenses		–	–	0.3	–	**0.3**
Aggregate investment in joint ventures and associates		74.2	32.4	0.1	–	**106.7**

* Including deemed disposals of £7.2 million from The Junction and X-Leisure open offers.

Properties held for sale are included in the Property Investment UK segment.

3b Secondary business segments

	Note	UK £m	Germany £m	**Total £m**
Revenue from external sources	4a	37.8	–	**37.8**
Segment gross assets		146.4	1.3	**147.7**
Capital expenditure		0.1	–	**0.1**

3 Segmental analysis: statutory basis continued

3a Primary business segments

Year to 30 December 2008	Note	Assets: Property investment UK £m	Assets: Property investment Germany £m	Earnings: Property management UK £m	SNO!zone £m	Total £m
Revenue from external sources	4a	9.7	27.9	12.9	14.9	65.4
Transactions with other segments		0.9	–	0.4	–	1.3
Total segment revenue		10.6	27.9	13.3	14.9	66.7
Cost of sales	5	(25.7)	(2.6)	–	(13.4)	(41.7)
Transactions with other segments		(0.3)	–	(0.9)	(0.1)	(1.3)
Administrative costs*		(3.2)	(1.6)	(18.3)	–	(23.1)
Impairment of goodwill	14	–	–	(8.0)	–	(8.0)
Loss on sale of properties and investments		(6.1)	(0.4)	–	–	(6.5)
Loss on revaluation of investment properties	13a	(7.0)	(24.7)	–	–	(31.7)
Segment result		(31.7)	(1.4)	(13.9)	1.4	(45.6)
Share of loss in joint ventures and associates*		(420.5)	(12.4)	–	–	(432.9)
Net finance costs		(20.5)	(16.6)	(0.7)	–	(37.8)
(Loss)/profit before tax		(472.7)	(30.4)	(14.6)	1.4	(516.3)
Segment assets		134.2	–	15.5	3.6	153.3
Interest in joint ventures and associates						216.7
Tax assets – current tax						1.6
Tax assets – deferred tax						1.4
Consolidated total assets						373.0
Segment liabilities		(31.9)	–	(20.5)	(6.1)	(58.5)
Interest bearing liabilities						(112.5)
Tax liabilities						(15.9)
Consolidated total liabilities						(186.9)
Capital expenditure		0.4	0.2	0.2	0.2	1.0
Depreciation		–	–	0.2	0.4	0.6
Significant other non cash expenses		–	–	1.1	–	1.1
Aggregate investment in joint ventures and associates		176.8	39.9	–	–	216.7

* Including deemed disposal from The Mall open offer and related costs as appropriate.

3b Secondary business segments

	Note	UK £m	Germany £m	Total £m
Revenue from external sources	4a	37.5	27.9	65.4
Segment gross assets		153.3	–	153.3
Capital expenditure		0.8	0.2	1.0

Notes to the financial statements continued

For the year to 30 December 2009

4a Revenue

	Note	**Year to 30 December 2009 Total £m**	Year to 30 December 2008 Total £m
Assets business			
Property investment – gross rent from wholly owned investment property	2b	**1.1**	31.0
Property investment – gross rent from wholly owned trading property	2b	**6.7**	6.6
Property investment – gross rent from wholly owned property	2b	**7.8**	37.6
Other income		**0.6**	–
Earnings business			
Property management – management fees		**15.7**	22.8
SNO!zone income	2a	**13.7**	14.9
Rents, management fees and other revenue		**37.8**	75.3
Property management – performance fee clawback	2a, 4b	**–**	(9.9)
Revenue per consolidated income statement	3a, 3b	**37.8**	65.4
Finance income	6	**2.7**	2.4
Total revenue		**40.5**	67.8

4b Performance fees

	Note	**Year to 30 December 2009 Total £m**	Year to 30 December 2008 Total £m
Property manager future repayment of performance fees		**–**	(9.9)
Fund manager future repayment of performance fees		**–**	(2.5)
Total performance fees included in associates adjusted financial statements	18d	**–**	(12.4)
Group share of future estimated repayments of performance fees			
Property manager future repayment of performance fees		**–**	(9.9)
Total Group share of future repayment of performance fees	4a	**–**	(9.9)

5 Cost of sales

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Property and void costs	2b	**1.2**	4.8
SNO!zone expenses	2a	**12.7**	13.4
Impairment of trading properties	13a	**2.1**	23.5
Total cost of sales		**16.0**	41.7

6 Finance income

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Interest receivable		**1.3**	2.1
Foreign exchange gain on loans to German portfolio	8	**–**	0.2
Gain in fair value of financial instruments:			
– Interest rate swaps		**1.2**	–
– Ineffective portion of foreign exchange forward contracts		**0.2**	–
– Unhedged element of foreign exchange forward contracts		**–**	0.1
Total finance income	4a	**2.7**	2.4

7 Finance costs

	Year to 30 December 2009 £m	Year to 30 December 2008 £m
Interest payable on bank loans and overdrafts	**11.0**	27.4
Interest receivable on swaps	**(2.2)**	(3.2)
Interest payable	**8.8**	24.2
Amortisation of loan issue costs	**2.5**	0.7
Unwinding of discounting of CAP awards	**–**	0.7
Share of income attributable to German minority interest classified as a liability	**–**	(0.3)
Other interest payable	**(0.4)**	1.7
Loss in fair value of financial instruments:		
– Interest rate swaps	**–**	12.7
– Ineffective portion of foreign exchange forward contracts	**–**	0.5
– Unhedged element of foreign exchange forward contracts	**0.1**	–
Total finance costs	**11.0**	40.2

Notes to the financial statements continued

For the year to 30 December 2009

8 Loss before tax

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
This is arrived at after charging/(crediting):			
Depreciation of owned assets	15a	**0.4**	0.6
Net exchange gains	6	**–**	(0.2)
Property revaluation movement recognised in income	13a	**2.8**	31.7
Impairment of goodwill	14	**1.6**	8.0
Impairment of trade receivables		**0.6**	0.5
Staff costs	9	**15.3**	19.1
Auditors' remuneration (see below)		**0.6**	0.6
Auditors' remuneration			
Fees payable to the Company's auditors for the audit of the Company annual financial statements		**0.1**	0.2
Fees payable to the Company's auditors and their associates for other services to the Group:			
– The audit of the Company's subsidiaries and joint ventures pursuant to legislation		**0.1**	0.1
Total audit fees		**0.2**	0.3
Non-audit fees (see below)		**0.4**	0.3
Total fees paid to auditors		**0.6**	0.6

Included in non-audit fees are amounts for services supplied pursuant to legislation of £64,000 (2008: £76,000) which related to the review of the Group's interim report; services relating to tax of £nil (2008: £19,000); and other corporate finance services of £330,000 (2008: £200,000), which related to the Capital Raising (2008: the part-sale of the German portfolio). The Company considered that the auditors were best placed to complete the role of reporting accountants for the other corporate finance services in both the current year and the preceding year. Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

9 Staff costs, including directors

All remuneration is paid by either Capital & Regional Property Management Limited (a subsidiary company of Capital and Regional plc) or the SNO!zone companies.

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Salaries		**13.2**	16.4
Ex-gratia payments		**0.4**	1.7
Discretionary bonuses		**–**	0.5
Capital Appreciation Plan		**–**	(2.5)
Share-based payments	25	**0.3**	1.2
		13.9	17.3
Social security		**1.3**	1.7
Other pension costs		**0.1**	0.1
	8	**15.3**	19.1

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

Staff numbers

The monthly average number of persons, including directors, employed by the Group during the year was as follows:

	Year to 30 December 2009 Number	Year to 30 December 2008 Number
CRPM	**128**	170
SNO!zone	**258**	286
Total staff numbers	**386**	456

10 Tax

10a Tax charge/(credit)

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Current tax charge/(credit)			
Adjustments in respect of prior years		**3.6**	(1.8)
Foreign tax		**0.1**	0.7
Total current tax charge/(credit)		**3.7**	(1.1)
Deferred tax charge/(credit)			
Origination and reversal of temporary timing differences		**2.6**	(13.0)
Total deferred tax charge/(credit)		**2.6**	(13.0)
Total tax charge/(credit)	2a, 10b	**6.3**	(14.1)

10b Tax charge/(credit) reconciliation

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Loss before tax		**(113.4)**	(516.3)
Loss multiplied by the UK corporation tax rate of 28% (2008: 28%)		**(31.8)**	(144.6)
Non-allowable expenses and non-taxable items		**(168.5)**	(161.4)
Utilisation of tax losses		**4.0**	14.7
Tax on revaluation gains		**165.4**	179.5
Unrealised gains on investment property not taxable		**29.3**	101.9
Temporary timing differences		**4.4**	(2.4)
Overseas tax rate differences		**(0.1)**	–
Prior year adjustments		**3.6**	(1.8)
Total tax charge/(credit)	10a	**6.3**	(14.1)

10c Deferred tax assets/(liabilities)

	Capital allowances £m	Other timing differences £m	Total £m
As at 30 December 2008	(4.1)	5.5	1.4
Deferred tax charge	(0.8)	(1.8)	(2.6)
As at 30 December 2009	**(4.9)**	**3.7**	**(1.2)**

10d Unused tax losses

	30 December 2009 £m	30 December 2008 £m
UK	**108.1**	94.7
Overseas	**–**	6.0
Total unused tax losses	**108.1**	100.7

A deferred tax asset of £0.7 million (2008: £1.4 million) has been recognised in respect of £2.5 million (2008: £5.0 million) of these losses, based on future profit forecasts. No deferred tax asset has been recognised in respect of the remainder owing to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses. In particular, no deferred tax asset has been recognised in respect of £3.1 million (2008: £6.6 million) of deductible temporary timing differences as it is not certain that a deduction will be available when the asset crystallises. The losses do not have an expiry date.

Notes to the financial statements continued

For the year to 30 December 2009

10d Unused tax losses continued

The calculation of the Group's tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. One specific exposure related to the tax structuring of previous property disposals by the Group in 2004 and 2005. The liability in respect of this exposure has now been agreed with the tax authorities at £19.5 million including interest. A deferred payment plan has also been agreed over three years.

The Group has undertaken a number of other significant transactions in prior years which still need to be agreed with the tax authorities. The Group has assessed the potential exposure in respect of these transactions and maintains a limited provision on the expectation that no material liability will arise. The Group continues to monitor the position together with its advisers.

11 Dividends

	Year to 30 December 2009 £m	Year to 30 December 2008 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year to 30 December 2008 of nil p per share (2007: 17p per share)	–	11.9
Interim dividend for the year to 30 December 2008 of 5p per share	–	3.5
	–	15.4

12 Earnings per share

12a Earnings per share calculation

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

Year to 30 December 2009	**Note**	**Earnings £m**	**Weighted average number of shares (m)**	**Pence per share**
Weighted average number of shares			**206.6**	
Own shares held			**(3.5)**	
Basic and diluted		**(119.7)**	**203.1**	**(59)p**
Revaluation movements on investment properties, development properties and other investments	12b	**108.4**		**53p**
Loss on disposal of investment properties (net of tax)	12b	**9.4**		**5p**
Movement in fair value of financial instruments	12b	**0.9**		**–**
Impairment of goodwill	14	**1.6**		**1p**
Deferred tax charge on capital allowances		**0.8**		**–**
EPRA basic and diluted		**1.4**		**1p**

At the end of the year, the Group had 895,369 share options that could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they were antidilutive for the period presented.

The weighted average number of shares reflects the impact of the open offer element of the Capital Raising in September 2009 but excludes the impact of the firm placing element.

12 Earnings per share continued

12a Earnings per share calculation continued

Year to 30 December 2008	Note	Earnings £m	Weighted average number of shares (Restated) (m)	Pence per share (Restated)
Weighted average number of shares			143.5	
Own shares held			(2.0)	
Basic and diluted		(502.2)	141.5	(355)p
Revaluation movements on investment properties, development properties and other investments	12b	375.9		265p
Loss on disposal of investment properties (net of tax)	12b	30.5		22p
Movement in fair value of financial instruments	12b	47.8		33p
Impairment of goodwill	14	8.0		6p
Deferred tax credit		(14.1)		(10)p
EPRA basic and diluted		(54.1)		(39)p
Performance fee clawback (net of back charge and management incentives)		5.1		4p
Adjusted EPRA basic and diluted		(49.0)		(35)p

At the end of 2008, the Group had 637,257 share options that could have potentially diluted basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they were antidilutive for the period presented.

The weighted average number of shares has been restated to reflect the impact of the open offer element of the Capital Raising in September 2009 but excludes the impact of the firm placing element.

12b Reconciliation of earnings figures included in EPS calculation to the income statement

		Year to 30 December 2009			Year to 30 December 2008		
	Note	**Revaluation movements and provisions £m**	**Loss on disposal £m**	**Movement in fair value of financial instruments £m**	Revaluation movements £m	(Loss)/profit on disposal £m	Movement in fair value of financial instruments £m
Share of loss of associates	18d	**(95.2)**	**(9.2)**	**(0.2)**	(325.6)	(29.6)	(27.5)
Share of loss of joint ventures	18e	**(10.4)**	**–**	**(0.8)**	(18.6)	(6.2)	(7.2)
Wholly owned		**(2.8)**	**(0.2)**	**1.3**	(31.7)	(6.5)	(13.1)
Tax effect		**–**	**–**	**(1.2)**	–	11.8	–
Total per EPS calculation	12a	**(108.4)**	**(9.4)**	**(0.9)**	(375.9)	(30.5)	(47.8)

Notes to the financial statements continued

For the year to 30 December 2009

13 Property assets

13a Wholly owned properties

	Note	Freehold investment properties £m	Leasehold investment properties £m	Sub-total investment properties £m	Long leasehold owner-occupied property £m	Freehold trading properties £m	**Total property assets £m**
Cost or valuation							
As at 31 December 2007		661.8	16.7	678.5	15.6	95.9	**790.0**
Exchange adjustments		27.2	–	27.2	–	–	**27.2**
Additions		0.2	–	0.2	–	0.4	**0.6**
Disposals and transfers		(664.3)	2.4	(661.9)	–	–	**(661.9)**
Impairment of trading properties		–	–	–	–	(23.5)	**(23.5)**
Revaluation movement recognised in income		(24.7)	(4.2)	(28.9)	(2.8)	–	**(31.7)**
Revaluation movement recognised in equity		–	–	–	(2.4)	–	**(2.4)**
Head leases treated as finance leases		–	0.2	0.2	0.4	–	**0.6**
As at 30 December 2008		0.2	15.1	15.3	10.8	72.8	**98.9**
Impairment of trading properties	2a, 5, 28	–	–	–	–	(2.1)	**(2.1)**
Revaluation movement recognised in income	3a, 8, 28	–	(2.7)	(2.7)	(0.1)	–	**(2.8)**
Head leases treated as finance leases		–	–	–	0.4	–	**0.4**
Transfer to properties held for sale		–	(2.4)	(2.4)	(11.1)	–	**(13.5)**
As at 30 December 2009		**0.2**	**10.0**	**10.2**	**–**	**70.7**	**80.9**

Properties held for sale

	Leasehold investment property £m	Long leasehold owner-occupied property £m	**Total property held for sale £m**
Cost or valuation			
As at 31 December 2008	–	–	**–**
Transfer from wholly owned properties	2.4	11.1	**13.5**
As at 30 December 2009	**2.4**	**11.1**	**13.5**

The owner-occupied property represents the Group's head office, held on a long leasehold with more than 50 years remaining, which was transferred to current assets on 19 October 2009 following the exchange of a contract of sale. As disclosed in note 35, the sale completed on 2 March 2010. The property was not independently valued at 30 December 2009 as fair value was taken to be the sale value less costs of disposal plus £0.8 million representing the value of the headlease. The carrying value is net of accumulated depreciation of £0.6 million (2008: £0.6 million) and the historical cost is £12.9 million (2008: £12.9 million). The leasehold investment property represents Beeston Place, which was transferred to current assets on 14 December 2009 following the exchange of a contract of sale. As disclosed in note 35, the sale completed on 10 March 2010. The property was not independently valued at 30 December 2009 as fair value was taken to be the sale value less costs of disposal plus £0.2 million representing the value of the headlease.

The Group has pledged land and buildings (including land and buildings held for sale) with a carrying amount of £91.8 million (2008: £98.7 million) to secure banking facilities granted to the Group. This includes amounts relating to trading properties of £70.7 million (2008: £72.8 million).

13 Property assets continued

13b Property assets

	Note	**2009 Valuation £m**	2008 Valuation £m
Group properties at fair value		**10.2**	15.1
Plus: head leases treated as finance leases		**–**	0.2
Total investment properties held by the Group		**10.2**	15.3
Owner-occupied property at fair value		**–**	10.4
Held for sale properties at fair value		**12.5**	–
Plus: head leases treated as finance leases		**1.0**	0.4
Trading properties at the lower of cost and net realisable value		**70.7**	72.8
Total wholly owned property assets		**94.4**	98.9
Properties held by joint ventures at fair value		**644.8**	749.5
Held for sale properties held by joint ventures at fair value		**3.0**	–
Plus: head leases treated as finance leases		**3.5**	3.4
Less: unamortised tenant incentives		**(8.1)**	(14.8)
Total investment properties held by joint ventures	18e	**643.2**	738.1
Properties held by associates at fair value		**2,407.9**	3,147.3
Plus: head leases treated as finance leases		**100.7**	138.2
Less: unamortised tenant incentives		**(53.7)**	(53.6)
Total investment properties held by associates	18d	**2,454.9**	3,231.9

External valuations at 30 December 2009 were carried out on £3,133.4 million (2008: £3,830.3 million) of the property assets held by the Group and its associates and joint ventures.

The valuations were carried out by independent, qualified professional valuers working for DTZ Debenham Tie Leung Chartered Surveyors, CB Richard Ellis Limited Chartered Surveyors, Jones Lang LaSalle Chartered Surveyors, Cushman & Wakefield Chartered Surveyors and King Sturge Chartered Surveyors. These external valuers are not connected with the Group. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

Directors' valuations at 30 December 2009 were carried out on £12.7 million (2008: £166.0 million) of the Group's property assets. The properties were valued at the prices at which they were sold after the year end as described in note 13a. The properties held by FIX UK have not been valued as the Group's investment in FIX UK has been written down to £nil (2008: £nil).

13c Loss on sale of properties and investments

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Loss on part sale of FIX UK		**–**	(10.1)
Loss on part sale of German portfolio		**–**	(0.4)
Profit on sale of Cardiff joint venture	31	**0.5**	–
Other write-downs, impairments and release of provisions		**(0.7)**	4.0
		(0.2)	(6.5)

Notes to the financial statements continued

For the year to 30 December 2009

14 Goodwill

	Note	**30 December 2009 £m**	30 December 2008 £m
At the start of the year		**4.2**	12.2
Provision for impairment	2a, 3a, 8, 12a, 28	**(1.6)**	(8.0)
At the end of the year		**2.6**	4.2

The goodwill carried in the Group balance sheet relates to the acquisition of the MWB fund management business by CRPM in 2003, which included MWB's 13.29% interest in Leisure Fund 1, 5.72% interest in Leisure Fund IIa and 7.09% interest in Leisure Fund IIb. This goodwill is tested annually for impairment or more frequently if there are indications that it might be impaired. An impairment review has been carried out at 30 December 2009 to test the recoverable amount of the goodwill based on its value in use.

Impairment is tested by discounting the forecast cash flows generated by the X-Leisure asset management contract, which is coterminous with the life of the X-Leisure fund. The cash flows reflect the amendments to the contract resulting from the restructuring of the X-Leisure fund during the year, including the transfer of management responsibilities to X-Leisure Limited.

The forecast cash flows include the following assumptions:

- the initial expiry date of the X-Leisure fund is 31 December 2014, with a 50% chance that the life of the fund will be extended to 31 December 2021;
- management fees receivable are in line with the asset management contract, including both a fixed element and a variable amount dependent on the growth in net operating income in the X-Leisure fund;
- management fees receivable, as well as both fixed and variable administration costs, are assumed to grow by 2.4% per annum beyond the five-year period modelled in the Group's forecasts; and
- the pre-tax rate used to discount the expected cash flows is 8.5% (2008: 8.3%).

If the termination date of the fund were to be the initial expiry date of 31 December 2014, there would be an additional impairment of £0.7m in the year.

The impairment in the year arose largely because of the renegotiation of certain terms in the X-Leisure Limited asset management contract, which was finalised after the previous impairment review had taken place (notably the fixed element of the management fee and the expiry date of the X-Leisure fund).

15 Other non-current assets

15a Plant and equipment

	Note	**30 December 2009 £m**	30 December 2008 £m
Cost or valuation			
At the start of the year		**4.3**	3.9
Additions		**0.1**	0.4
At the end of the year		**4.4**	4.3
Depreciation			
At the start of the year		**3.0**	2.4
Provided for the year	8, 28	**0.4**	0.6
At the end of the year		**3.4**	3.0
Carrying amounts:			
At the end of the year		**1.0**	1.3

15 Other non-current assets continued

15b Available-for-sale investments

	Note	30 December 2009 £m	30 December 2008 £m
Fair value			
At the start of the year		**0.2**	0.3
Increase/(decrease) in fair value		**0.1**	(0.1)
At the end of the year	23a, 23e	**0.3**	0.2

Available-for-sale investments comprise the following:

- £256,000 (2008: £235,000) representing the net asset value of units in the Paddington Central III Unit Trust.
- £10,000 (2008: £10,000) representing a 49.99% interest in Bestpark Investments Limited, which is treated as an investment as the Group does not exercise any significant influence or control over the entity.

16 Non-current receivables

	Note	30 December 2009 £m	30 December 2008 £m
Financial assets			
Loans to joint ventures	23a, 23e	**23.8**	29.1
		23.8	29.1
Non-financial assets			
Prepayments		**1.2**	1.1
		25.0	30.2

Interest is payable on loans to joint ventures at normal commercial rates.

17 Current receivables

	Note	30 December 2009 £m	30 December 2008 £m
Financial assets			
Trade receivables		**1.5**	0.7
Amounts owed by joint ventures		**0.6**	1.7
Amounts owed by associates		**0.7**	2.6
Other receivables		**2.0**	1.2
Accrued income		**0.3**	0.4
	23a, 23e	**5.1**	6.6
Non-financial assets			
Tax and social security receivables		**–**	6.0
Prepayments		**1.8**	1.8
		6.9	14.4

The Group's trade receivables largely comprise amounts payable by tenants of the Group's wholly owned properties. Before accepting a new tenant, a review of its creditworthiness is carried out using an external credit scoring system and other publicly available financial information. Included in the Group's trade receivable balance are debtors with a carrying amount of £0.2 million (2008: £0.7 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds collateral of £0.2 million (2008: £0.1 million) over these balances as security deposits held in rent accounts. The average age of trade receivables is 63 days (2008: 34 days).

Notes to the financial statements continued

For the year to 30 December 2009

17 Current receivables continued

	30 December 2009 £m	30 December 2008 £m
Analysis of current financial assets		
Not past due	**0.3**	0.6
Past due but not individually impaired:		
– Less than 1 month	**2.7**	4.2
– 1 to 3 months	**0.2**	0.5
– 3 to 6 months	**1.0**	–
– Over 6 months	**0.9**	1.3
	5.1	6.6

18 Investment in associates and joint ventures

18a Share of results

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Share of results of associates		**(96.2)**	(368.4)
Dilution effect of The Mall open offer	2a	**–**	(26.2)
Dilution effect of The Junction open offer	2a	**(2.8)**	–
Dilution effect of X-Leisure open offer	2a	**(4.4)**	–
	18b	**(103.4)**	(394.6)
Impairment of FIX UK		**–**	(8.6)
Share of results of joint ventures	18c	**(3.4)**	(29.7)
	28	**(106.8)**	(432.9)

18b Investment in associates

	Note	**30 December 2009 £m**	30 December 2008 £m
At the start of the year		**182.3**	599.4
Investment in associates		**4.6**	–
Share of net assets in FIX UK transferred to associates		**–**	8.6
Share of results of FIX UK		**–**	(0.2)
Impairments		**(0.4)**	(8.4)
Share of results of other associates	18a, 18d	**(103.4)**	(394.6)
Dividends and capital distributions received		**(6.7)**	(22.5)
At the end of the year	18d	**76.4**	182.3

The Group's investments in associates include The Mall LP, The Junction LP, X-Leisure LP and The FIX UK LP. Despite the fact that the Group holds less than 20% in The Mall LP, The Junction LP and X-Leisure LP, they are accounted for as associates as the Group has significant influence arising from its membership of the General Partner boards. The Group holds 20% of The FIX UK LP and also exercises significant influence through its representation on the General Partner board.

The value of the Group's investment in FIX UK was written down to £nil in 2008. The unrecognised share of losses at the end of the year was £0.6 million (2008: £2.9 million), reflecting an unrecognised gain for the year of £2.3 million (2008: loss of £2.9 million). As disclosed in note 35, since the year end the Group has invested a further £1.1 million into FIX UK.

18 Investment in associates and joint ventures continued

18b Investment in associates continued

On 15 May 2009, The Junction fund completed a £63.6 million open offer. The Group took up £0.6 million of its rights, which was less than its pro-rata share and as a consequence its share in the fund fell from 27.32% to 13.44%. Under the terms of the open offer, adjustments can be made until May 2010 to the price at which new units were issued, to reflect the recoverability of debtors and the expected costs of certain remedial works. A further impairment of £0.4 million has been made to the value of the Group's investment in The Junction at the year end to reflect the expected impact of these adjustments, at which level the Group's share in the fund would be reduced to 13.2%.

On 31 July 2009, the X-Leisure fund completed a £50.0 million open offer. The Group took up £4.0 million of its rights, which was less than its pro-rata share and as a consequence its share in the fund fell from 19.37% to 11.93%.

C&R accounting policy adjustments were made in 2008 to correctly reflect the treatment of performance fees repayable by the Group to the funds. The results of The Mall LP were adjusted to reflect the Group's share of performance fees repayable at its percentage interest before the dilutive effects of an open offer and the results of The Mall LP, The Junction LP and X-Leisure LP were adjusted to ensure consistency of accounting in relation to the estimated repayments of performance fees.

18c Investment in joint ventures

	Note	**30 December 2009 £m**	30 December 2008 £m
At the start of the year		**34.4**	12.0
Share of net assets in German portfolio transferred to joint venture		**–**	44.9
Investment in joint ventures		**2.1**	8.5
Net liabilities of Cardiff joint venture at date of disposal	31	**0.5**	–
Dividends and capital distributions receivable		**(0.7)**	(2.3)
Share of results	18a, 18e	**(3.4)**	(29.7)
Foreign exchange differences		**(2.6)**	1.0
At the end of the year	18e	**30.3**	34.4

The Group's investments in joint ventures include its share in the German portfolio (48.8%) and X-Leisure Limited (50%), and its investments in Xscape Braehead Partnership (50%), Manchester Arena Complex Limited Partnership (30%) and The Auchinlea Partnership (50%). The investment in Capital Retail Park Partnership (50%) was sold on 7 May 2009 as described in note 31 and its results are included until that date. X-Leisure Limited was established as a joint venture of CRPM on 18 August 2009 and its results are included from that date.

The Auchinlea Partnership held the Group's interest in Glasgow Fort. Since the sale of this interest in 2004 the Group has received a total of £8.3 million further profit from its remaining interest in the joint venture. Further profits were potentially receivable, largely dependent on planning consent being obtained for future phases of the development and the letting of units at above target rents. The Group has also given certain rental guarantees for a five-year period and has made provision for the amounts which are expected to be paid in respect of these. The estimate of the Group's share of the fair value of the right to receive these future profits at 30 December 2009 is £nil (2008: £0.1 million), which reflects the likelihood that any future development will not take place in the necessary timescale.

A C&R accounting policy adjustment was made in 2009 to show the Group's share of the benefit to the Xscape Braehead Partnership of the provision made in Capital & Regional Plc for the amount potentially payable under its rent guarantee for SNO!zone Braehead. The settlement of a claim by the Xscape Braehead Partnership, which was reimbursed for the costs of certain repair works to the cinema ceiling and other loss of income, is included in note 18e under the revaluation of investment properties under other joint ventures in both the current year and preceding year.

Notes to the financial statements continued

For the year to 30 December 2009

18 Investment in associates and joint ventures continued

18d Analysis of investment in associates

	Note	The Mall LP £m	The Junction LP £m	X-Leisure LP £m	**Year to 30 December 2009 Total £m**	Year to 30 December 2008 Total £m
Income statement (100%)						
Gross rent		152.7	45.2	49.8	**247.7**	274.8
Property expenses		(32.0)	(2.2)	(6.4)	**(40.6)**	(43.8)
Management expenses		(10.6)	(4.1)	(4.7)	**(19.4)**	(27.2)
Net rent		110.1	38.9	38.7	**187.7**	203.8
Net interest payable		(68.8)	(36.4)	(27.8)	**(133.0)**	(146.4)
Contribution		41.3	2.5	10.9	**54.7**	57.4
Performance fees	4b	–	–	–	**–**	12.4
Revaluation of investment properties		(301.2)	(64.1)	(93.0)	**(458.3)**	(1,520.5)
Loss on sale of investment properties		(22.1)	(15.4)	(16.8)	**(54.3)**	(141.2)
Provision for onerous contract		–	–	–	**–**	(10.3)
Loan renegotiation costs		–	(3.5)	(1.1)	**(4.6)**	–
Fair value of interest rate swaps		4.6	(1.0)	1.8	**5.4**	(155.1)
Loss before tax		(277.4)	(81.5)	(98.2)	**(457.1)**	(1,757.3)
Tax		–	–	–	**–**	(0.6)
Loss after tax		(277.4)	(81.5)	(98.2)	**(457.1)**	(1,757.9)
Balance sheet (100%)						
Investment properties	13b	1,390.9	552.3	511.7	**2,454.9**	3,231.9
Other assets		293.9	55.3	51.7	**400.9**	347.0
Current liabilities		(152.6)	(42.1)	(57.1)	**(251.8)**	(291.2)
Non-current liabilities		(1,335.2)	(372.0)	(353.5)	**(2,060.7)**	(2,369.9)
Net assets (100%)		197.0	193.5	152.8	**543.3**	917.8
Group interest at the end of the year		16.72%	13.44%	11.93%		
Group interest at the start of the year		16.72%	27.32%	19.37%		
Group average interest during the year		16.72%	18.61%	16.23%		
Income statement (Group share)						
Gross rent	2b	25.5	8.2	8.1	**41.8**	59.6
Net rent	2b	18.4	7.0	6.3	**31.7**	44.4
Net interest payable	2b	(11.5)	(6.4)	(4.6)	**(22.5)**	(32.4)
Contribution	2b	6.9	0.6	1.7	**9.2**	12.0
Performance fees	2a	–	–	–	**–**	2.4
Deemed disposals	2a	–	(2.8)	(4.4)	**(7.2)**	(26.2)
Revaluation of investment properties	12b	(50.3)	(26.1)	(18.8)	**(95.2)**	(323.6)
Loss on sale of investment properties	12b	(3.7)	(2.1)	(3.4)	**(9.2)**	(29.6)
Provision for onerous contract	12b	–	–	–	**–**	(2.0)
Loan renegotiation costs		–	(0.6)	(0.2)	**(0.8)**	–
Fair value of interest rate swaps	12b	0.7	(1.3)	0.4	**(0.2)**	(27.5)
Loss before tax		(46.4)	(32.3)	(24.7)	**(103.4)**	(394.5)
Tax		–	–	–	**–**	(0.1)
Loss after tax	18b	(46.4)	(32.3)	(24.7)	**(103.4)**	(394.6)
Balance sheet (Group share)						
Investment properties		232.6	74.2	61.0	**367.8**	634.9
Other assets		49.1	7.4	6.2	**62.7**	65.7
Current liabilities		(25.6)	(5.6)	(6.8)	**(38.0)**	(56.3)
Non-current liabilities		(223.2)	(50.0)	(42.2)	**(315.4)**	(463.2)
Associate net assets		32.9	26.0	18.2	**77.1**	181.1
C&R accounting policy adjustment		(0.3)	–	–	**(0.3)**	1.2
Impairment		–	(0.4)	–	**(0.4)**	–
Net assets (Group share)	18b	32.6	25.6	18.2	**76.4**	182.3

18 Investment in associates and joint ventures continued

18e Analysis of investment in joint ventures

	Note	German portfolio £m	X-Leisure Limited £m	Others £m	**Year to 30 December 2009 Total £m**	Year to 30 December 2008 Total £m
Income statement (100%)						
Gross rent		40.0	–	10.5	**50.5**	19.7
Property expenses		(4.2)	–	(2.2)	**(6.4)**	(2.7)
Management expenses		(1.0)	–	(0.7)	**(1.7)**	(0.7)
Net rent		34.8	–	7.6	**42.4**	16.3
Net interest payable		(22.5)	–	(7.4)	**(29.9)**	(12.4)
Contribution		12.3	–	0.2	**12.5**	3.9
Management fees		–	1.7	–	**1.7**	–
Management expenses		–	(1.3)	–	**(1.3)**	–
Revaluation of investment properties		(21.1)	–	2.6	**(18.5)**	(41.4)
Loss on sale of investment properties and investments		–	–	(0.1)	**(0.1)**	(12.5)
Income and fair value movements of financial assets		–	–	(0.2)	**(0.2)**	(0.2)
Fair value of interest rate swaps		(2.3)	–	1.0	**(1.3)**	(15.3)
Loss before tax		(11.1)	0.4	3.5	**(7.2)**	(65.5)
Tax		2.6	(0.1)	–	**2.5**	1.6
Loss after tax		(8.5)	0.3	3.5	**(4.7)**	(63.9)
Balance sheet (100%)						
Investment properties	13b	531.9	–	108.3	**640.2**	738.1
Investment properties held for sale	13b	3.0	–	–	**3.0**	–
Current assets		18.5	1.2	22.8	**42.5**	47.0
Other financial assets		–	–	–	**–**	0.2
Current liabilities		(20.7)	(0.9)	(15.8)	**(37.4)**	(62.2)
Non-current liabilities		(467.8)	–	(113.6)	**(581.4)**	(651.1)
Net assets (100%)		64.9	0.3	1.7	**66.9**	72.0
Group interest at the end of the year		50%*	50%	30–50%		
Group interest at the start of the year		50%*	n/a	30–50%		
Group average interest during the year		50%*	50%	30–50%		
Income statement (Group share)						
Gross rent	2b	20.0	–	4.1	**24.1**	8.7
Net rent	2b	17.4	–	2.9	**20.3**	7.2
Net interest payable	2b	(11.3)	–	(3.0)	**(14.3)**	(5.5)
Contribution	2b	6.1	–	(0.1)	**6.0**	1.7
Management fees		–	0.9	–	**0.9**	–
Management expenses		–	(0.7)	–	**(0.7)**	–
Revaluation of investment properties	12b	(10.5)	–	0.1	**(10.4)**	(18.6)
Loss on sale of investment properties	12b	–	–	–	**–**	(6.2)
Income and fair value movements of financial assets		–	–	(0.1)	**(0.1)**	(0.1)
Fair value of interest rate swaps	12b	(1.1)	–	0.3	**(0.8)**	(7.2)
C&R accounting policy adjustment		–	–	0.5	**0.5**	–
Loss before tax		(5.5)	0.2	0.7	**(4.6)**	(30.4)
Tax		1.3	(0.1)	–	**1.2**	0.7
Loss after tax	18c	(4.2)	0.1	0.7	**(3.4)**	(29.7)
Balance sheet (Group share)						
Investment properties		266.0	–	41.4	**307.4**	357.6
Investment properties held for sale		1.5	–	–	**1.5**	–
Current assets		9.3	0.6	9.5	**19.4**	22.3
Other financial assets		–	–	–	**–**	0.1
Current liabilities		(10.4)	(0.5)	(6.3)	**(17.2)**	(29.5)
Non-current liabilities		(234.0)	–	(47.3)	**(281.3)**	(316.0)
Joint venture net assets		32.4	0.1	(2.7)	**29.8**	34.4
C&R accounting policy adjustment		–	–	0.5	**0.5**	–
Net assets (Group share)	18c	32.4	0.1	(2.2)	**30.3**	34.4

* After minority interests included in liabilities.

Notes to the financial statements continued

For the year to 30 December 2009

19 Cash and cash equivalents

	Note	**30 December 2009 £m**	30 December 2008 £m
Cash at bank		**15.4**	4.0
Security deposits held in rent accounts		**0.2**	0.1
Other restricted balances		**1.9**	–
	23a, 23e	**17.5**	4.1

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

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

	30 December 2009 £m	30 December 2008 £m
Sterling	**16.6**	3.7
Euro	**0.9**	0.4
	17.5	4.1

20 Current payables

	Note	**30 December 2009 £m**	30 December 2008 £m
Financial liabilities			
Trade payables	23a	**2.1**	1.0
Accruals	23a	**5.9**	7.4
Payable to associates	23a	**2.7**	15.3
Financial liabilities carried at fair value through profit or loss:			
– Interest rate swaps	23a, 23f	**3.4**	7.6
– Foreign exchange forward contracts	23a, 23f	**1.4**	14.2
Other payables	23a	**3.9**	5.9
		19.4	51.4
Non-financial liabilities			
Deferred income		**3.2**	3.5
Other taxation and social security		**1.4**	0.8
		24.0	55.7

The average age of trade payables is 53 days (2008: 38 days).

No amounts incur interest (2008: £nil).

21 Non-current payables

	30 December 2009 £m	30 December 2008 £m
Financial liabilities		
Finance leases	–	0.6
	–	0.6
Non-financial liabilities		
Other payables	**2.2**	2.2
	2.2	2.8

The finance leases relate to the Group's wholly owned owner-occupied property at 10 Lower Grosvenor Place and wholly owned investment property at Beeston Place. As described in note 35, these properties exchanged for sale before the balance sheet date and have therefore been classified as held for sale.

22 Borrowings

22a Borrowings summary

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

	Note	**30 December 2009 £m**	30 December 2008 £m
Unsecured borrowing at amortised cost			
Fixed and swapped bank loans		–	27.4
Secured borrowing at amortised cost			
Fixed and swapped bank loans	22d	**65.2**	77.0
Variable rate bank loans	22d	**15.2**	8.2
Total borrowings before costs	22b, 23f	**80.4**	112.6
Less unamortised issue costs		**(1.6)**	(0.1)
Total borrowings after costs		**78.8**	112.5
Analysis of total borrowings after costs			
Current	23a	**0.2**	18.7
Non-current	23a	**78.6**	93.8
Total borrowings after costs		**78.8**	112.5

Borrowings financing the Group's wholly owned properties are secured by charges on those properties, which are carried at £91.8 million (2008: £98.7 million) as described in note 13a. Following the renegotiation of the Group's central banking facility in September 2009, amounts borrowed under that facility are secured by charges over the units the Group holds in The Mall, The Junction and X-Leisure funds carried at £76.4 million, charges over certain holdings in and loans to the German joint venture carried at £37.2 million, and guarantees by the Company.

Notes to the financial statements continued

For the year to 30 December 2009

22 Borrowings continued

22b Maturity

	Note	**30 December 2009 £m**	30 December 2008 £m
From two to five years		**72.5**	27.4
From one to two years		**7.2**	66.5
Due after more than one year		**79.7**	93.9
Current		**0.7**	18.7
	22a	**80.4**	112.6

22c Undrawn committed facilities

	30 December 2009 £m	30 December 2008 £m
Expiring between two and three years	**58.0**	98.2

The undrawn amount represents the balance on the Group's central revolving credit facility. Under the terms of the loan covenants, as described in note 23e, £58.0 million (2008: £73.7 million) was actually available for drawdown at year end. The Articles of the Company also restrict borrowing but this did not limit the amount available for drawdown on the facility during the current year or the preceding year.

22d Interest rate and currency profile

	Note	**30 December 2009 £m**	30 December 2008 £m
Fixed and swapped rate borrowings			
6% to 7%		**65.2**	104.4
	22a	**65.2**	104.4
Floating rate borrowings	22a	**15.2**	8.2
		80.4	112.6

All loans are sterling denominated. The weighted average length of fix is four years (2008: two years). Floating rate borrowings bear interest based on three month LIBOR.

23 Financial instruments

23a Overview

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the returns to shareholders through the optimisation of the debt and equity balance. The overall strategy of reducing the Group's levels of balance sheet debt remains unchanged from 2008.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22a; cash and cash equivalents as disclosed in note 19; and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 24 and 26. The Capital Raising during the year had the effect on the capital structure of reducing debt and increasing cash and cash equivalents.

The Group is not subject to externally imposed capital requirements.

The Board reviews the capital structure and cost of capital on an annual basis but does not set specific targets for the Group's gearing ratios. The risks associated with each class of capital are also considered as part of the regular risk reviews presented to the Audit Committee and the Board. The Group has met its objectives for managing capital during 2009, with a reduction in net debt as a result of the Capital Raising.

Gearing ratio

The gearing ratios at the year end were as follows:

Statutory	Note	30 December 2009 £m	30 December 2008 £m
Debt before unamortised issue costs	22a	**80.4**	112.6
Cash and cash equivalents	19	**(17.5)**	(4.1)
Net debt		**62.9**	108.5
Equity		**129.8**	186.1
Debt to equity ratio		**62%**	60%
Net debt to equity ratio		**48%**	58%

See-through	Note	30 December 2009 £m	30 December 2008 £m
Debt before unamortised issue costs	23f	**632.8**	836.2
Cash and cash equivalents		**(66.5)**	(53.2)
Net debt		**566.3**	783.0
Equity		**129.8**	186.1
Debt to equity ratio		**488%**	449%
Net debt to equity ratio		**436%**	421%

Debt is defined as long- and short-term borrowings (excluding derivatives) excluding unamortised issue costs. Equity includes all capital and reserves of the Group attributable to equity holders of the Company.

Notes to the financial statements continued

For the year to 30 December 2009

23 **Financial instruments** continued

23a **Overview** continued

Significant accounting policies

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

Categories of financial assets/(liabilities)

		2009			2008		
	Note	**Carrying value £m**	**Gain/(loss) to income £m**	**(Loss)/gain to equity £m**	Carrying value £m	Gain/(loss) to income £m	Gain/(loss) to equity £m
Financial assets							
Investments	15b	**0.3**	**0.1**	**–**	0.2	–	–
Available for sale		**0.3**	**0.1**	**–**	0.2	–	–
Loans to joint ventures	16	**23.8**	**1.2**	**(1.7)**	29.1	1.7	1.3
Current receivables	17	**5.1**	**–**	**–**	6.6	–	–
Cash and cash equivalents	19	**17.5**	**0.1**	**–**	4.1	1.1	–
Loans and receivables		**46.4**	**1.3**	**(1.7)**	39.8	2.8	1.3
Financial liabilities							
Trade payables	20	**(2.1)**	**–**	**–**	(1.0)	–	–
Accruals	20	**(5.9)**	**0.4**	**–**	(7.4)	(1.7)	–
Payable to associates	20	**(2.7)**	**–**	**–**	(15.3)	–	–
Other payables	20	**(3.9)**	**(0.1)**	**–**	(5.9)	(0.2)	–
Liabilities relating to properties held for sale*		**(1.0)**	**–**	**–**	–	–	–
Finance leases*	21	**–**	**–**	**–**	(0.6)	–	–
Current borrowings	22a	**(0.2)**	**–**	**–**	(18.7)	–	–
Non-current borrowings	22a	**(78.6)**	**(6.8)**	**–**	(93.8)	(28.1)	–
Liabilities at amortised cost		**(94.4)**	**(6.5)**	**–**	(142.7)	(30.0)	–
Foreign exchange forward contracts	20	**(1.4)**	**0.1**	**3.9**	(14.2)	(0.4)	(4.0)
Derivatives in effective hedges		**(1.4)**	**0.1**	**3.9**	(14.2)	(0.4)	(4.0)
Interest rate swaps	20	**(3.4)**	**(3.4)**	**–**	(7.6)	(10.2)	–
Liabilities at fair value held for trading		**(3.4)**	**(3.4)**	**–**	(7.6)	(10.2)	–
Total financial assets/(liabilities)		**(52.5)**	**(8.4)**	**2.2**	(124.5)	(37.8)	(2.7)

* Finance leases have been reclassified as liabilities relating to properties held for sale in the current year as described in note 21.

Financial risk management objectives

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

23 Financial instruments continued

23b Interest rate risk

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

The following table shows the notional principals and remaining terms of the Group's interest rate swap contracts:

	Average contract fixed rate		Notional principal amount		Fair value	
	30 December 2009 %	30 December 2008 %	**30 December 2009 £m**	30 December 2008 £m	**30 December 2009 £m**	30 December 2008 £m
Less than 1 year	**–**	6.27	**–**	10.5	**–**	(0.3)
1 to 2 years	–	6.51	**–**	109.0	**–**	(6.0)
2 to 5 years	**6.21**	6.28	**61.5**	25.0	**(3.4)**	(1.3)
			61.5	144.5	**(3.4)**	(7.6)

Interest rate risk sensitivity analysis is determined by applying a change in interest rates to financial assets and financial liabilities at the balance sheet date. In order to be representative of the Group's exposure to interest rate risk, financial liabilities include interest rate swaps held in associates and joint ventures. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. An increase/decrease of 1% in LIBOR would have decreased/increased the Group's annual loss before tax by £15.2 million (2008: £20.1 million) with no impact on other equity reserves (2008: £nil).

The Group's sensitivity to interest rates has decreased during the current year as a result of the dilution in the Group's holdings in The Junction and X-Leisure funds and the repayment of Group debt and debt held by associates. The termination of certain interest rate swaps in connection with these repayments of debt has also reduced the Group's sensitivity to interest rates, as it holds fewer derivative contracts whose values are based on forecasts of future interest rates.

23c Credit risk

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

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

No adjustment has been made for credit risk on derivative financial instruments in either the current year or the preceding year.

Notes to the financial statements continued

For the year to 30 December 2009

23 Financial instruments continued

23d Foreign exchange risk

The Group has investments in and loans to a number of joint ventures with property investments in Germany which have the euro as their functional currency, and is therefore exposed to exchange rate fluctuations. The Group has designated one foreign exchange forward contract (2008: two foreign exchange forward contracts) as a hedge of its net investment in these German joint ventures, selling €47.0 million (2008: €57.5 million) at a fixed exchange rate of 0.87505 (2008: 0.7259). In 2009 the ineffective portion of the hedge resulted in a charge of £0.2 million (2008: charge of £0.5 million) to the income statement. As disclosed in note 35, this hedge was extended for a further year in January 2010.

Only the spot element of the foreign exchange forward contracts is designated as the hedging instrument, determined as the undiscounted difference between the spot rate on the trade date and the spot rate on the revaluation date applied to the notional. The unhedged forward element of the fair value is determined as the total fair value less the spot element. Changes in the forward element of the fair value are reported through the income statement as finance income or finance costs as appropriate. During the year, this change in the unhedged element of the fair value was a loss of £0.1 million (2008: gain of £0.1 million) as disclosed in note 7 (2008: note 6).

Foreign currency risk sensitivity analysis is determined by applying a change in foreign currency rates to outstanding foreign currency denominated items at the reporting date. The following table details the Group's sensitivity to a 10% change in foreign currency rates, where a positive number indicates a decrease in loss before tax or increase in other equity reserves. The Group's sensitivity to foreign currency has increased during the current year following the changes to the hedge mentioned above.

	Year to 30 December 2009 £m	Year to 30 December 2008 £m
10% strengthening in Sterling against the Euro		
Decrease/(increase) in loss before tax	**0.1**	0.6
Increase/(decrease) in other equity reserves	**2.5**	3.3
10% strengthening in the Euro against Sterling		
Increase/(decrease) in loss before tax	**–**	(0.7)
Decrease/(increase)in other equity reserves	**(2.6)**	(3.1)

23e Liquidity risk

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

Liquidity risk therefore arises principally from the need to make payments for non-recurring items, such as management incentive schemes, tax payments and the close out of derivative financial instruments. Payments may also be necessary against bank debt facilities to prevent covenant breaches on loans related to the Group's wholly owned properties or to cover losses in the Group's joint ventures, or to repay loans when they fall due.

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group's treasury department maintains a rolling 18-month forecast of anticipated recurring and non-recurring cash flows under different scenarios. This is compared to expected cash balances and amounts available for drawdown on the Group's core revolving credit facility to ensure that any potential shortfalls in funding are identified and managed.

The Group's primary means of managing liquidity risk is this £58.0 million (2008: £125.5 million) core revolving credit facility, expiring in September 2013 (2008: February 2011), of which £58.0 million (2008: £98.2 million) was undrawn at the end of the year as shown in note 22c. As at the balance sheet date, £58.0 million (2008: £73.7 million) of this undrawn amount was available for drawdown under the covenants on the facility.

23 Financial instruments continued

23e Liquidity risk continued

During the year, a waiver of the asset cover and gearing covenants on this facility was agreed with the lending bank to allow time for the terms of the facility to be renegotiated. The life of the facility was subsequently extended from February 2011 to September 2013 and the margin was increased from 1.4% to 3.5%, reducing in future in line with the headroom on the asset cover test, which now includes the value of part of the Group's investment in the German joint venture as well as The Mall, The Junction and X-Leisure funds.

During the year, the Group also renegotiated its other balance sheet debt, extending the maturity dates of the facilities in return for an increase in margins payable. As described in note 19, as a result of these renegotiations certain cash balances are now treated as restricted cash as they are charged against borrowings and are not available for general use by the Group.

Following the sale of the Group's owner-occupied leasehold property after the balance sheet date as described in note 35, one variable rate bank loan of £7.4 million expiring in 2011 has been repaid in full.

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

2009	Note	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	**Total £m**
Financial assets							
Available-for-sale investments	15b		(0.3)	–	–	–	**(0.3)**
Non-current receivables	16	4.86	–	–	(23.8)	–	**(23.8)**
Current receivables	17		(5.1)	–	–	–	**(5.1)**
Cash and cash equivalents	19		(17.5)	–	–	–	**(17.5)**
			(22.9)	–	(23.8)	–	**(46.7)**
Financial liabilities							
Borrowings – fixed and swapped bank loans		6.21	(0.4)	–	64.2	–	**63.8**
Borrowings – variable rate bank loans		3.47	0.6	7.1	7.3	–	**15.0**
Current payables			14.6	–	–	–	**14.6**
Non-current payables*			–	–	–	(1.0)	**(1.0)**
			14.8	7.1	71.5	(1.0)	**92.4**

2008	Note	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets							
Available-for-sale investments	15b		(0.2)	–	–	–	(0.2)
Non-current receivables	16	5.84	–	–	(12.1)	(17.0)	(29.1)
Current receivables	17		(6.6)	–	–	–	(6.6)
Cash and cash equivalents	19		(4.1)	–	–	–	(4.1)
			(10.9)	–	(12.1)	(17.0)	(40.0)
Financial liabilities							
Borrowings – fixed and swapped bank loans	22d	6.40	10.5	66.5	27.4	–	104.4
Borrowings – variable rate bank loans	22d	7.14	8.2	–	–	–	8.2
Current payables			29.6	–	–	–	29.6
Non-current payables	21		–	–	–	0.6	0.6
			48.3	66.5	27.4	0.6	142.8

* Disclosed as liabilities relating to properties held for sale on the balance sheet.

Notes to the financial statements continued

For the year to 30 December 2009

23 Financial instruments continued

23e Liquidity risk continued

The following table indicates the dates of contractual repricing of the Group's fixed and swapped bank loans:

Fixed and swapped bank loans	Total £m	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
2009	**63.8**	**–**	**–**	**63.8**	**–**
2008	104.4	10.5	66.5	27.4	–

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

2009	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	**Total £m**
Non-interest bearing	(14.6)	–	–	–	–	–	**(14.6)**
Finance lease liability	–	–	–	–	–	(1.0)	**(1.0)**
Variable interest rate instruments	(3.2)	(11.7)	(10.5)	(68.4)	–	–	**(93.8)**
	(17.8)	(11.7)	(10.5)	(68.4)	–	(1.0)	**(109.4)**

2008	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Non-interest bearing	(29.6)	–	–	–	–	–	(29.6)
Variable interest rate instruments	–	–	–	–	–	(0.6)	(0.6)
Fixed interest rate instruments	(22.5)	(69.5)	(27.6)	–	–	–	(119.6)
	(52.1)	(69.5)	(27.6)	–	–	(0.6)	(149.8)

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

2009	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	**Total £m**
Net settled							
Interest rate swaps	(2.1)	(1.0)	(0.3)	–	–	–	**(3.4)**
Foreign exchange forward contracts	(1.4)	–	–	–	–	–	**(1.4)**
	(3.5)	(1.0)	(0.3)	–	–	–	**(4.8)**

2008	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	(4.1)	(3.4)	(0.1)	–	–	–	(7.6)
Foreign exchange forward contracts	(14.2)	–	–	–	–	–	(14.2)
	(18.3)	(3.4)	(0.1)	–	–	–	(21.8)

23 Financial instruments continued

23f Fair values of financial instruments

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

	Note	Notional principal £m	2009 Book value £m	2009 Fair value £m	2008 Book value £m	2008 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	22a	**80.4**	**80.4**	**80.4**	112.6	112.6
Total on balance sheet borrowings			**80.4**	**80.4**	112.6	112.6
Group share of associate borrowings*			**301.0**	**301.0**	441.0	441.0
Group share of joint venture borrowings			**251.4**	**253.6**	282.6	284.1
Total see-through borrowings	23a		**632.8**	**635.0**	836.2	837.7
Derivative assets/(liabilities) at fair value through income statement						
Sterling interest rate swaps	20	**61.5**	**(3.4)**	**(3.4)**	(7.6)	(7.6)
Foreign exchange forward contracts	20	**42.5**	**(1.4)**	**(1.4)**	(14.2)	(14.2)
Total on balance sheet derivatives			**(4.8)**	**(4.8)**	(21.8)	(21.8)
Group share of sterling interest rate swaps in associates and joint ventures*		**363.7**	**(19.5)**	**(19.5)**	(27.1)	(27.1)
Group share of euro interest rate swaps in joint ventures		**136.1**	**(5.7)**	**(5.7)**	(5.0)	(5.0)
Group share of sterling basis swaps in associates		**–**	**–**	**–**	0.1	0.1
Total see through derivatives	29		**(30.0)**	**(30.0)**	(53.8)	(53.8)

* Excluding FIX UK where the Group has written down its investment to £nil.

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

Details of the Group's cash and deposits are set out in note 19. Their fair values and those of all other financial assets and liabilities equate to their book values.

23g Breach of loan agreements

At the year end, the Castleford facility in the X-Leisure fund was in breach of its ICR covenant but this could be remedied without further charge by depositing £40,000 of cash held by the fund with the bank.

After the year end, there was a breach of the loan agreement for the Group's Braehead joint venture as disclosed in note 35.

Notes to the financial statements continued

For the year to 30 December 2009

24 Share capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2009 Number	2008 Number	**2009 £m**	2008 £m
Ordinary shares of 10p each				
At the start of the year	**71,348,933**	71,048,963	**7.1**	7.1
Issued on exercise of share options	**–**	299,970	**–**	–
Reclassification into ordinary shares of 1p each and deferred shares of 9p each	**(71,348,933)**	–	**(7.1)**	–
At the end of the year	**–**	71,348,933	**–**	7.1
Ordinary shares of 1p each				
At the start of the year	**–**	–	**–**	–
Reclassification from ordinary shares of 10p each	**71,348,933**	–	**0.7**	–
Issued in Capital Raising	**279,263,821**	–	**2.8**	–
At the end of the year	**350,612,754**	–	**3.5**	–
Deferred shares of 9p each				
At the start of the year	**–**	–	**–**	–
Reclassification from ordinary shares of 10p each	**71,348,933**	–	**6.4**	–
At the end of the year	**71,348,933**	–	**6.4**	–
Total called-up share capital	**421,961,687**	71,348,933	**9.9**	7.1

	Authorised	
	2009 Number	2008 Number
Ordinary shares of 10p each	**–**	150,000,000
Ordinary shares of 1p each	**857,589,603**	–
Deferred shares of 9p each	**71,348,933**	–

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

On 20 August 2009 the Company announced a firm placing and fully underwritten open offer (the "Capital Raising"). The firm placing and open offer were approved by the holders of the Company's ordinary shares at a general meeting on 7 September 2009 and the transaction closed on 10 September 2009. As part of the Capital Raising, each ordinary share of 10p was subdivided and reclassified into one ordinary share of 1p and one deferred share of 9p. Deferred shares carry neither voting nor dividend rights. The Company then issued ordinary shares of 1p at a discount to the quoted market price as follows:

- 89,000,000 shares through a firm placing for consideration of £23.5 million;
- 47,565,955 shares through a firm placing for consideration of £11.4 million; and
- 142,697,866 shares through an open offer for consideration of £34.3 million, with shareholders able to apply for two shares for every existing share held.

Out of the total consideration of £69.2 million, £2.8 million (representing the nominal value of the shares) was credited to share capital. The balance of £60.3 million (after issue costs and expenses of £6.1 million) was credited to the merger reserve, which is available for distribution to shareholders, as the transaction utilised a cashbox structure and therefore qualified for merger relief under section 612 of the Companies Act 2006, which meant that the premium arising was not required to be credited to the Company's share premium account. Under the cashbox structure, Capital & Regional Equity (Jersey) Limited issued redeemable preference shares to the Company in consideration for the receipt of the net cash proceeds from the Capital Raising. The Company's ordinary shares were issued as consideration for the transfer to it of the shares in Capital & Regional Equity (Jersey) Limited that it did not already own.

25 Share-based payments

The Group's share-based payments comprise the SAYE scheme, the 1998 share option schemes, two LTIP schemes, the COIP and the Matching Share Agreement. In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant, calculated using either a Black-Scholes option pricing model or a Monte Carlo simulation, except for the 2007 LTIP which is calculated using a normal distribution model. Any Employers' National Insurance payable on these awards is treated as a cash-settled share-based payment. The total expense recognised under these share-based payment transactions in the year was as follows:

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Equity-settled share-based payments	9, 26, 28	**0.3**	1.2
Cash-settled share-based payments		**–**	(0.1)

Share options – SAYE scheme

All employees of CRPM are eligible for the SAYE scheme, which allows them to save between £5 and £250 per month over a period of either three or five years in order to purchase Company shares at a price set at the date of grant. The first payments by employees into the scheme were made in January 2009 subject to a cap of £67 per month. Options are normally forfeited if an employee leaves the Group before they vest and the charge to the Income Statement assumes this lapse rate is 45% (2008: 30%), based on the level of staff turnover during the year and future expectations. Details of the share options outstanding at the end of the year are as follows:

	Year to 30 December 2009		Year to 30 December 2008	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the start of the year	**497,257**	**46.0p**	–	–
Cancelled/lapsed before Capital Raising	**(81,305)**	**46.0p**	–	–
Increase resulting from Capital Raising	**415,937**	**n/a**	–	–
Cancelled/lapsed after Capital Raising	**(36,520)**	**22.8p**	–	–
Granted during the year	**–**	**–**	497,257	46.0p
Outstanding at the end of the year	**795,369**	**22.8p**	497,257	46.0p
Exercisable at the end of the year	**22,524**	**22.8p**	–	46.0p

As a result of the Capital Raising, the SAYE scheme was rebased in line with a methodology prescribed by HMRC so that the number of share options outstanding increased by 415,937 and the exercise price was reduced to 22.8p.

The options outstanding at 30 December 2009 had a weighted average remaining contractual life of 2.59 years (2008: 3.59 years).

Share options – 1998 schemes

Details of the share options outstanding at the end of the year are as follows:

	Year to 30 December 2009		Year to 30 December 2008	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the start of the year	**140,000**	**205.8p**	439,970	256.2p
Expired during the year	**(40,000)**	**191.5p**	–	–
Exercised during the year	**–**	**–**	(299,970)	279.7p
Outstanding at the end of the year	**100,000**	**211.5p**	140,000	205.8p
Exercisable at the end of the year	**100,000**	**211.5p**	140,000	205.8p

The options outstanding at 30 December 2009 had a weighted average remaining contractual life of 0.70 years (2008: 1.26 years) and a fair value of £2.12 (2008: £2.06) each. The options were not rebased following the Capital Raising.

Notes to the financial statements continued

For the year to 30 December 2009

25 Share-based payments continued

2006–2007 Long-Term Incentive Plans

Details of the shares outstanding at the end of the year are as follows:

	Number of shares		
	Opening	Lapsed	Closing
2006 awards	256,855	(256,855)	–
2007 awards	192,081	–	192,081
	448,936	(256,855)	192,081

The weighted average fair value of the outstanding LTIP awards at grant was £15.61 (2008: £13.06). The shares under grant were not rebased following the Capital Raising. The performance conditions for the 2007 award were not met so these shares have lapsed in 2010.

In calculating the charge for these LTIP awards in the Income Statement the following key assumptions were used:

- 50% Total return, none of which will vest based on expected performance

- 50% Total shareholder return which was derived by using the normal distribution of performance relative to the FTSE Real Estate Index. Calculation inputs are shown in the following table:

	Probability %	Vesting %	Value %
1st quartile	11	–	–
2nd quartile	39	–	–
3rd quartile	39	0–50	12.0
4th quartile	11	50	5.0
Total			17.0

2008 Long-Term Incentive Plan

In November 2008, shareholders approved the introduction of a new LTIP for senior employees. No awards were made under this scheme in 2009 and, as noted in the directors' remuneration report, the Directors are proposing that it be replaced by a new LTIP scheme subject to shareholder approval.

2008 Co-investment plan/Matching Share Agreement

In November 2008, shareholders approved the introduction of a new co-investment plan ('COIP') for senior employees. Participants may purchase shares using their annual bonus and receive matching shares subject to certain performance conditions. In addition, in March 2008 H Scott-Barrett was granted awards under a separate Matching Share Agreement.

No further shares were awarded, exercised, cancelled or lapsed under these agreements during the year, but as a result of the Capital Raising, the shares were rebased in line with a methodology prescribed by HMRC so that the number of shares outstanding at the end of the year was as follows:

	Number of shares		
	Matching Share Agreement	COIP	**Total**
Outstanding at the start of the year	150,000	596,951	**746,951**
Increase resulting from Capital Raising	152,055	605,129	**757,184**
Outstanding at the end of the year	302,055	1,202,080	**1,504,135**

25 Share-based payments continued

Fair values of the relevant schemes above were calculated using the following inputs into the Black-Scholes option pricing model:

	SAYE scheme	COIP	Matching Share Agreement
Share price at grant date	45.5p	44.75p	553.0p
Exercise price	46.0p	0.0p	0.0p
Expected volatility	84%	84%	37%
Expected life (years)	3.12	3.04	2.99
Risk free rate	2.28%	2.58%	3.78%
Expected dividend yield	11.0%	11.2%	4.9%
Correlation	n/a	29%	30%

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

ESOT shareholding

At 30 December 2009, an Employee Share Ownership Trust ("ESOT") held 2,189,836 (2008: 1,991,760) shares, to enable the Group to meet the outstanding share awards under the schemes described above. The right to receive dividends on these shares has been waived. The market value of these shares at 30 December 2009 was £0.8 million (2008: £0.9 million).

	Number of shares 2009	Number of shares 2008
At the start of the year	**1,991,760**	904,905
Purchased in the year	**198,076**	1,226,660
Exercised/vested in year	–	(139,805)
At the end of the year	**2,189,836**	1,991,760

Notes to the financial statements continued

For the year to 30 December 2009

26 Reserves

	Note	Share premium account £m	Revaluation reserve £m	Other reserves £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total £m
As at 30 December 2007		219.7	2.4	10.9	4.4	(8.7)	467.2	695.9
Shares issued at premium		0.8	–	–	–	–	–	0.8
Revaluation of owner-occupied property	13a	–	(2.4)	–	–	–	–	(2.4)
Exchange differences		–	–	1.9	–	–	–	1.9
Amortisation of IFRS 1 reserve	27	–	–	(0.1)	–	–	–	(0.1)
Other transfers between reserves	27	–	–	1.1	–	–	(1.1)	–
Amortisation and vesting of own shares		–	–	–	–	(0.3)	0.3	–
Purchase of own shares		–	–	–	–	(0.7)	–	(0.7)
Credit in respect of share-based payments	25	–	–	–	–	–	1.2	1.2
Dividends paid	11	–	–	–	–	–	(15.4)	(15.4)
Loss for the year		–	–	–	–	–	(502.2)	(502.2)
As at 30 December 2008		220.5	–	13.8	4.4	(9.7)	(50.0)	179.0
Cancellation of share premium account	27	(220.5)	–	79.5	–	–	141.0	–
Shares issued at a premium	27	–	–	60.3	–	–	–	60.3
Credit in respect of share-based payments	25	–	–	–	–	–	0.3	0.3
Loss for the year		–	–	–	–	–	(119.7)	(119.7)
As at 30 December 2009		**–**	**–**	**153.6**	**4.4**	**(9.7)**	**(28.4)**	**119.9**

The balance on the Company's share premium account was cancelled by Court Order with effect from 28 August 2009 and transferred to the special reserve and retained earnings.

Transaction costs of £6.1 million relating to the Capital Raising have been deducted directly from equity through the merger reserve.

27 Other reserves

	Note	Special reserve	Merger reserve £m	Acquisition reserve £m	IFRS reserve £m	Foreign currency reserve £m	Net investment hedging reserve £m	Total £m
As at 30 December 2007		–	–	9.5	0.1	6.9	(5.6)	10.9
Exchange differences		–	–	–	–	19.6	(14.3)	5.3
Transfer to income statement on part-sale of German portfolio		–	–	–	–	(13.7)	9.8	(3.9)
Ineffective portion of hedge		–	–	–	–	–	0.5	0.5
Amortisation of IFRS reserve		–	–	–	(0.1)	–	–	(0.1)
Other transfers between reserves		–	–	–	–	1.1	–	1.1
As at 30 December 2008		–	–	9.5	–	13.9	(9.6)	13.8
Exchange differences		–	–	–	–	(3.9)	4.1	0.2
Ineffective portion of hedge		–	–	–	–		(0.2)	(0.2)
Cancellation of share premium account	26	79.5	–	–	–	–	–	79.5
Shares issued at a premium	26	–	60.3	–	–	–	–	60.3
As at 30 December 2009		**79.5**	**60.3**	**9.5**	**–**	**10.0**	**(5.7)**	**153.6**

27 Other reserves continued

The special reserve arose on the cancellation of the Company's share premium account on 28 August 2009. £141.0 million of the share premium account was credited to retained earnings and the balance of £79.5 million was moved to the special reserve pending consent from all of the Company's creditors at that date to transfer it to retained earnings.

The merger reserve arose on the Capital Raising, which was structured so as to allow the Company to claim merger relief on the issue of ordinary shares as described in note 24.

The acquisition reserve relates to the acquisition of the remaining 50% of Morrison Merlin Limited in 2005, prior to which it was a joint venture in which Capital & Regional had a 50% interest. The balance on the reserve arose from the difference between the fair value of the Company's existing interest and the carrying value of that interest at the date of acquisition of the remainder. The reserve will remain in the balance sheet until Morrison Merlin Limited is sold.

The IFRS reserve related to the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards". Where cash flow hedge accounting was being applied under a previous GAAP, IFRS 1 requires reserves are debited with the fair value of hedging derivatives at the date of transition for the Group to IFRS (31 December 2004). The entire gain or loss has been taken to equity and recycled to the income statement when the hedged transaction impacts profit or loss or as soon as the hedged transaction is no longer expected to occur.

28 Reconciliation of net cash from operations

	Note	**Year to 30 December 2009 £m**	Year to 30 December 2008 £m
Loss on ordinary activities before financing		**(105.1)**	(478.5)
Adjusted for:			
Share of loss in joint ventures and associates	18a	**106.8**	432.9
Loss on revaluation of investment properties	13a	**2.8**	31.7
Loss on sale of properties and investments		**(0.1)**	6.5
Impairment of goodwill	14	**1.6**	8.0
Impairment of trading property	13a	**2.1**	23.5
Depreciation of other fixed assets	15	**0.4**	0.6
Decrease in receivables		**6.7**	2.7
Decrease in payables		**(10.3)**	(52.1)
Non-cash movement relating to share-based payments	25	**0.3**	1.2
Net cash from operations		**5.2**	(23.5)

Notes to the financial statements continued

For the year to 30 December 2009

29 Net assets per share

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

	Note	Net assets £m (30 December 2009)	Number of shares (m) (30 December 2009)	Net assets per share (£) (30 December 2009)	30 December 2008 Net assets per share (£) (Restated)
Basic		**129.8**	**350.6**	**0.37**	1.30
Own shares held		**–**	**(2.2)**		
Fair value of fixed rate loans (net of tax)		**(1.6)**			
Triple net diluted net assets per share		**128.2**	**348.4**	**0.37**	1.33
Exclude fair value of fixed rate loans (net of tax)		**1.6**			
Exclude fair value of derivatives	23f	**30.0**			
Exclude deferred tax on unrealised gains and capital allowances		**3.0**			
EPRA triple net diluted net assets per share		**162.8**	**348.4**	**0.47**	1.74

Comparative net assets per share figures have been restated to show the impact of the open offer element of the Capital Raising but exclude the impact of the firm placing element. The comparative EPRA triple net diluted net assets per share figure has also been restated to correctly reflect the treatment of deferred tax.

30 Return on equity

	30 December 2009 £m	30 December 2008 £m
Total recognised income and expense attributable to equity shareholders	**(119.7)**	(502.7)
Opening equity shareholders' funds	**186.1**	703.0
Return on equity	**(64.3)%**	(71.5)%

31 Disposal – Capital Retail Park Partnership

On 7 May 2009 the Group sold its wholly owned subsidiary, Capital & Regional Cardiff (Jersey) Limited, which held the 50% interest in the Capital Retail Park Partnership. The net liabilities at the date of disposal and at 30 December 2008 were as follows:

	Note	7 May 2009 £m	30 December 2008 £m
Investment property		**15.1**	15.8
Current assets		**4.3**	5.0
Bank balance and cash		**0.1**	0.3
Current liabilities		**(3.5)**	(6.7)
Non-current liabilities		**(16.5)**	(15.4)
		(0.5)	(1.0)
Write-off of receivable from joint venture		**1.2**	
Gain on disposal	13c, 18c	**0.5**	
Total cash consideration		**1.2**	
Net inflow arising on disposal:			
Cash consideration		**1.2**	
Cash and cash equivalents disposed of		**(0.1)**	
		1.1	

32 Operating lease arrangements

The Group as lessee – finance leases

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments on land and buildings under finance leases as follows:

	Minimum lease payments 2009 £m	Minimum lease payments 2008 £m
Within one year	**0.1**	0.1
Between one and five years	**0.2**	0.2
After five years	**4.8**	4.8
	5.1	5.1
Less future finance charges	**(4.1)**	(4.5)
	1.0	0.6

	Present value of minimum lease payments 2009 £m	Present value of minimum lease payments 2008 £m
After five years	**1.0**	0.6
	1.0	0.6

The finance leases represent the headleases on the Group's leasehold investment and owner-occupied properties, all of which are denominated in sterling. The average remaining lease length is 109 years (2008: 110 years). As described in note 35, two of the Group's leasehold properties were sold after the balance sheet date and the relevant amounts payable under finance leases were therefore classified as held for sale.

During the year there were no contingent rents (2008: £nil) and the Group made sublease payments of £0.1 million (2008: £0.1 million).

The Group as lessee – operating leases

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings CRPM		Land and buildings SNO!zone		Other operating leases		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Within one year	**0.1**	0.1	**2.1**	2.1	**0.1**	0.3	**2.3**	2.5
Between one and five years	**0.6**	0.2	**9.5**	9.2	**–**	0.1	**10.1**	9.5
After five years	**–**	–	**41.8**	44.2	**–**	–	**41.8**	44.2
	0.7	0.3	**53.4**	55.5	**0.1**	0.4	**54.2**	56.2

Operating lease payments are denominated in sterling. The average remaining lease length is 18 years (2008: 19 years) and rentals are fixed for an average of 25 years (2008: 25 years).

During the year there were no contingent rents (2008: £nil) and the Group incurred lease payments recognised as an expense of £2.3 million (2008: £2.3 million).

The Group is currently negotiating a rent concession for SNO!zone Braehead which may reduce the amount payable under the lease in future years.

Notes to the financial statements continued

For the year to 30 December 2009

32 Operating lease arrangements continued

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of 11 years (2008: 12 years) to expiry. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

100% figures	Unexpired average lease term Years	Less than 1 year £m	2–5 years £m	6–10 years £m	11–15 years £m	16–20 years £m	More than 20 years £m	**30 December 2009 Total £m**	30 December 2008 Total £m
The Mall	9.7	112.9	361.5	234.5	87.7	51.9	259.1	**1,107.6**	1,459.6
The Junction	12.7	36.5	149.6	161.7	91.1	32.0	1.9	**472.8**	611.5
X-Leisure	16.2	44.3	173.8	205.7	166.1	52.4	27.2	**669.5**	825.7
Total associates*		193.7	684.9	601.9	344.9	136.3	288.2	**2,249.9**	2,896.8
German portfolio	6.9	40.2	127.5	78.3	27.9	2.2	–	**276.1**	331.9
Other joint ventures	12.4	8.1	32.0	33.7	24.7	20.2	3.4	**122.1**	144.4
Total joint ventures		48.3	159.5	112.0	52.6	22.4	3.4	**398.2**	476.3
Wholly owned	8.5	6.6	29.6	38.3	20.2	5.0	0.8	**100.5**	91.7
Total		248.6	874.0	752.2	417.7	163.7	292.4	**2,748.6**	3,464.8

* Excluding FIX UK where the Group has written down its investment to £nil.

There was no contingent rent (2008: £nil) recognised in income from wholly owned properties during the year.

33 Capital commitments

As at 30 December 2009, the Group's share of capital commitments of joint ventures and associates was £6.5 million (2008: £14.9 million). This comprised £5.9 million (2008: £10.2 million) relating to The Mall, £0.6 million (2008: £0.9 million) relating to The Junction and £nil (2008: £3.8 million) relating to the Cardiff joint venture.

34 Contingent liabilities

The Group has given certain guarantees relating to interest shortfalls and cost overruns in connection with the joint venture at Manchester Arena. The fair value of these guarantees is £0.1 million (2008: £0.2 million). The Group no longer has a guarantee in respect of its Cardiff joint venture which was sold during the year.

The Company has guaranteed the rent payable by SNO!zone Braehead Limited to the Xscape Braehead Partnership and by SNO!zone Limited to the X-Leisure fund as described in note 36. During the year a provision of £1 million (2008: £nil) has been made against the Braehead guarantee in relation to the potential rent concession described in notes 18c and 35.

35 Events after the balance sheet date

Disposals – wholly owned properties

As described in note 13, the sale of the Group's owner-occupied leasehold property completed on 2 March 2010. The sale price after transaction costs was £10.3 million and the proceeds were used to pay down floating rate debt of £7.4 million secured on the property which was due to expire in March 2011. The disposal included £0.8 million of the finance lease balance shown in note 13. There was no profit or loss on disposal as the property was valued at its sale price at the year end.

As described in note 13, the sale of the Group's Beeston Place property completed on 10 March 2010. The sale price after transaction costs was £2.1 million and the disposal included £0.2 million of the finance lease balance shown in note 13. There was no profit or loss on disposal as the property was valued at its sale price at the year end.

The Mall

On 24 February 2010, The Mall fund completed on the sale of its Aberdeen property for £47.4 million at a net initial yield of 7.9%, compared to its year end valuation of £46.0 million, and on 8 March 2010 completed on the sale of its Preston property for £87.0 million at a net initial yield of 7.6%, compared to its year end valuation of £84.5 million.

Since the balance sheet date, £59.0 million from the proceeds of the December 2009 sale of The Mall's Bexleyheath property was used to redeem the same amount of the fund's bonds.

Braehead

On 4 February 2010, there was a breach of the loan agreement in the Braehead joint venture when the year end valuation was provided to the bank showing that the value of the property had fallen below the level required for the LTV covenant. The lender has agreed to extend the remedy period until 31 March 2010. The Group and its joint venture partner are currently in negotiations with the bank about the form of this remedy, which is likely to involve the injection of new equity into the Xscape Braehead Partnership in return for an LTV holiday. A rent concession is also being negotiated for SNO!zone Braehead which may have an adverse impact on the valuation of the Braehead property.

German joint venture

In January 2010, the German joint venture received credit committee approval for the extension of the Bank of Scotland €40 million (2008: €46.5 million) facility, with the new loan expiring in December 2013 (2008: June 2010). In March 2010, credit committee approval was also received for two Eurohypo facilities totalling €65 million (2008: €65 million), with the new loans expiring in December 2013 (2008: June 2010).

On 23 February 2010, the German joint venture completed on the sale of its Leipheim property and on 29 January 2010, the German joint venture exchanged on the sale of its Selm property. The sales were agreed for portfolio optimisation, as the properties were deemed to be non-core owing to their small size, so the proceeds of £6.0 million (at the year end exchange rate) are below the year end valuations of £7.5 million.

Other associates and joint ventures

On 20 January 2010, the Group paid a further £1.1 million to The FIX UK Limited Partnership as its proportional contribution of new equity to facilitate the refinancing of the debt on the portfolio.

As at 28 February 2010, the property valuation of the X-Leisure fund (excluding adjustments for tenant incentives and head leases) was £549.7 million. This gave a unit price of 26.0p, meaning the value of the Group's units excluding interest rate swap mark-to-market valuations was £23.9 million compared to £20.1 million at year end.

On 11 March 2010, the X-Leisure fund completed on the sale of its Croydon property for £32.5 million at a net initial yield of 7.6%. This compared to its year end valuation of £31.7 million.

Other

On 15 January 2010, HMRC formally agreed the amount of corporation tax payable for the liabilities described in note 10c. The first payment under the agreement of £3.3 million was made on 8 February 2010.

On 19 January 2010, the Group entered a forward contract to sell €47.0 million on 29 April 2011 at a fixed exchange rate of 1.143, which had the effect of extending the existing hedging arrangements on its net investment in the German portfolio for another year.

Notes to the financial statements continued

For the year to 30 December 2009

36 Related party transactions

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

Capital & Regional plc	Interest receivable from/(payable to) related parties		Amounts owed by/(to) related parties	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Joint ventures				
Xscape Braehead Partnership	**0.6**	0.6	**8.6**	12.1
German joint venture companies:				
Capital & Regional (Europe LP) Limited	**0.1**	0.1	**3.1**	3.3
Capital & Regional (Europe LP 2) Limited	**0.1**	–	**1.7**	1.8
Capital & Regional (Europe LP 3) Limited	**0.3**	0.1	**7.9**	8.8
Capital & Regional (Europe LP 5) Limited *	**–**	–	**0.7**	1.1
Capital & Regional (Europe LP 6) Limited	**0.1**	–	**1.8**	1.9
Associates				
The Mall Limited Partnership	**–**	–	**(1.7)**	(0.8)
The Junction Limited Partnership	**–**	–	**(0.1)**	(0.4)
X-Leisure Limited Partnership	**–**	–	**(0.2)**	(0.4)

* Transactions with Capital & Regional Europe Holding 5 Limited, a subsidiary of Capital & Regional plc.

Amounts payable by/(to) joint ventures incur interest at commercial rates. Interest is payable on demand, while principal amounts owed by the Xscape Braehead Partnership are repayable in 2012 and 2013, and principal amounts owed by the German joint venture companies are repayable in 2013. Balances are unsecured and settled in cash.

Amounts owed to associates are unsecured and do not incur interest. They are payable on demand and settled in cash.

CRPM	Management and performance fees receivable from/(payable to) related parties		Amounts owed by/(to) related parties	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Associates				
The Mall Limited Partnership	**9.5**	11.6	**0.6**	(3.8)
The Junction Limited Partnership	**2.1**	4.2	**–**	0.4
X-Leisure Limited Partnership	**2.8**	(3.9)	**–**	(9.3)
The FIX UK Limited Partnership	**0.2**	0.1	**–**	0.5
Joint ventures				
German portfolio	**0.4**	0.1	**–**	–
X-Leisure Limited	**–**	–	**0.3**	–
Manchester Arena Complex Limited Partnership	**–**	–	**0.2**	–
Xscape Braehead Partnership	**0.1**	0.2	**–**	0.1

Management fees and performance fees are payable on demand. Balances are unsecured, do not incur interest and are settled for cash.

36 Related party transactions continued

SNO!zone Limited and SNO!zone Braehead Limited	Rents payable to related parties **2009** **£m**	2008 £m	Amounts owed by/(to) related parties **2009** **£m**	2008 £m
Associates				
Xscape Milton Keynes Partnership	**0.7**	0.7	**–**	–
Xscape Castleford Partnership	**0.7**	0.7	**–**	–
Joint ventures				
Xscape Braehead Partnership	**0.7**	0.7	**(2.1)**	(2.2)

Rent is payable quarterly in cash under the terms of the relevant lease and is secured by a guarantee from the Company of two years' rent and service charge payments in each case. The Group is currently in negotiations for a rent concession on SNO!zone Braehead which might require an equity injection into the Xscape Braehead Partnership in part settlement of this guarantee.

All rents payable by SNO!zone companies are due to the relevant Xscape Partnerships, which in the case of SNO!zone Limited (operator of the ski slopes at Milton Keynes and Castleford) are wholly owned by X-Leisure Limited Partnership.

During 2009 the Group purchased IT and communication equipment from Redstone plc and Sage plc, on normal commercial terms. Alan Coppin was a director of Redstone plc until September 2009 and Paul Stobart is a director of Sage plc.

Transactions with key personnel

As per IAS 24 key personnel are considered to be the executive directors as they are the persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Their remuneration in the income statement is detailed below.

	Year to 30 December 2009 £m	Year to 30 December 2008 £m
Short-term employment benefits	**1.4**	1.6
Post-employment benefits	**0.2**	0.2
Other long-term benefits*	**–**	(1.1)
Termination benefits	**–**	0.7
Share-based payments*	**0.3**	1.1
	1.9	2.5

* Other long-term benefits relate to the Capital Appreciation Plan, which expired during the year, and Share-based payments relate to amounts awarded under the COIP and Matching Share Agreement

Independent auditors' report to the members of Capital & Regional plc

We have audited the financial statements of Capital & Regional plc for the year ended 30 December 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense, the reconciliation of movement in equity shareholders' funds, the related notes 1 to 36, the company balance sheet and the related notes A to J. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 December 2009 and of the Group's and the Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the directors' report in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Andrew Clark (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
17 March 2010

Company balance sheet

Registered number: 1399411
Prepared in accordance with UK GAAP
As at 30 December 2009

	Note	2009 £m	2008 £m
Fixed assets			
Investments	C	**191.8**	222.2
Current assets			
Debtors – amounts falling due within one year	D	**127.8**	76.7
Debtors – amounts falling due after more than one year	E	**14.6**	20.8
Cash and deposits		**0.3**	0.1
		142.7	97.6
Creditors – amounts falling due within one year			
Trade and other creditors	F	**(122.5)**	(140.6)
Bank loans	I	**(0.1)**	(8.2)
		(122.6)	(148.8)
Net current assets/(liabilities)		**20.1**	(51.2)
Creditors – amounts falling due after more than one year			
Bank loans	I	**(7.2)**	–
Loan guarantees		**(0.6)**	(0.2)
Current tax payable		**(10.0)**	–
	G	**(17.8)**	(0.2)
Provisions for liabilities		**(1.0)**	–
Net assets		**193.1**	170.8
Capital and reserves			
Called-up share capital	H	**9.9**	7.1
Share premium account	H	**–**	220.5
Merger reserve	H	**60.3**	–
Special reserve	H	**79.5**	–
Capital redemption reserve	H	**4.4**	4.4
Retained earnings/(loss)	H	**39.0**	(61.2)
Shareholders' funds		**193.1**	170.8

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 17 March 2010 by:

Charles Staveley
Group Finance Director

Notes to the Company financial statements

For the year to 30 December 2009

A Accounting policies

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

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

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

B Loss for the year

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss for the year attributable to equity shareholders dealt with in the financial statements of the Company was £40.8 million (2008: loss of £528.8 million).

The Company had no direct employees during the year (2008: none).

C Investments

	Subsidiaries £m	Joint ventures and associates £m	Assets held for sale £m	Total £m
As at the start of the year	200.1	21.9	0.2	222.2
Additions	72.0	–	–	72.0
Disposals	(68.8)	–	–	(68.8)
Restructuring of German portfolio	16.0	(7.8)	–	8.2
Impairment of investments	(41.3)	(0.6)	0.1	(41.8)
As at the end of the year	**178.0**	**13.5**	**0.3**	**191.8**

Note J shows the principal subsidiaries, associates and joint ventures.

D Debtors – amounts falling due within one year

	2009 £m	2008 £m
Amounts owed by subsidiaries	**127.6**	76.5
Taxation and social security	**0.2**	–
Other debtors	–	0.2
	127.8	76.7

E Debtors – amounts falling due after more than one year

	2009 £m	2008 £m
Amounts owed by joint ventures	**14.6**	20.8
	14.6	20.8

F Creditors – amounts falling due within one year

	2009 £m	2008 £m
Amounts owed to subsidiaries	**108.9**	139.4
Amounts owed to associates	**0.4**	–
Bank loans	–	8.2
Current tax payable	**8.2**	0.5
Guarantees	–	0.3
Other creditors	**1.5**	0.2
Accruals and deferred income	**0.4**	0.2
Interest payable	**3.1**	–
	122.5	148.8

Details of the Group's borrowings are given in note 23a to the Group financial statements. The Company's borrowings are secured on property owned by other Group companies and comprise a sterling denominated bank loan. As described in note 35 to the Group financial statements, the property was sold after the year end and the loan was repaid.

G Creditors – amounts falling due after more than one year

	2009 Total £m	2008 Total £m
From two to five years	**17.8**	0.2
Due after more than one year	**17.8**	0.2

H Reserves

	Non-distributable				Distributable		
	Share capital £m	Share premium account £m	Special reserve £m	Capital redemption reserve £m	Merger reserve £m	Retained (loss)/ earnings £m	Total £m
As at the start of the year	7.1	220.5	–	4.4	–	(61.2)	170.8
Cancellation of share premium account		(220.5)	79.5	–	–	141.0	–
Shares issued at a premium net of costs	2.8	–	–	–	60.3	–	63.1
Retained loss for the year	–	–	–	–	–	(40.8)	(40.8)
As at the end of the year	**9.9**	–	**79.5**	**4.4**	**60.3**	**39.0**	**193.1**

The Company's authorised, issued and fully paid-up share capital is described in note 24 to the Group financial statements. The other reserves are described in notes 26 and 27 to the Group financial statements.

I Fair value of financial liabilities

	2009 Book value £m	**2009 Fair value £m**	2008 Book value £m	2008 Fair value £m
Non-current borrowings	**7.2**	**7.2**	–	–
Current borrowings	**0.1**	**0.1**	8.2	8.2
Total borrowings	**7.3**	**7.3**	8.2	8.2

Notes to the Company financial statements continued

For the year to 30 December 2009

J Principal subsidiary, joint venture and associated companies

	Nature of property business	Group effective share of business	Share of voting rights*
Capital & Regional Property Management Limited[2]	Management	100%	100%
The Mall Jersey Property Unit Trust[3]	Investment	16.72%	16.72%[1]
The Junction Jersey Property Unit Trust[3]	Investment	13.44%	13.44%[1]
X-Leisure Jersey Property Unit Trust[3]	Investment	11.93%	11.93%[1]
The FIX UK Limited Partnership[2]	Investment	20%	20%
The Auchinlea Partnership[2]	Investment	50%	50%
Capital & Regional Hemel Hempstead Limited[3]	Investment and management	100%	100%
Capital & Regional (Europe LP) Limited[3]	Investment and management	50%	50%
Capital & Regional (Europe LP 2) Limited[3]	Investment and management	50%	50%
Capital & Regional (Europe LP 3) Limited[3]	Investment and management	50%	50%
Capital & Regional (Europe LP 4) Limited[3]	Investment and management	50%	50%
Capital & Regional (Europe LP 5) Limited[3]	Investment and management	50%	50%
Capital & Regional (Europe LP 6) Limited[3]	Investment and management	50%	50%
Capital & Regional Earnings Ltd[2]	Investment and management	100%	100%
Capital & Regional Income Ltd[2]	Investment and management	100%	100%
Capital & Regional Holdings Ltd[2]	Investment and management	100%	100%
Capital & Regional Capital Partner Ltd[3]	Investment and management	100%	100%
Capital & Regional Overseas Holdings Ltd[4]	Investment and management	100%	100%
Capital & Regional Units LLP[2]	Investment and management	100%	100%
Capital & Regional (Jersey) Limited[4]	Investment and management	100%	100%
Capital & Regional UK Limited[2]	Investment and management	100%	100%
Capital & Regional UK Investments Limited[2]	Investment and management	100%	100%
Xscape Braehead Partnership[2]	Investment and management	50%	50%
Manchester Arena Complex Limited Partnership[2]	Investment and management	30%	50%[5]
SNO!zone Limited[2]	Trading	100%	100%
SNO!zone (Braehead) Ltd[2]	Trading	100%	100%
Morrison Merlin Limited[2]	Trading	100%	100%

1 The Group is regarded as having significant influence through its membership of and role on the General Partner Board.
2 Incorporated/registered and operating in Great Britain.
3 Incorporated/registered and operating in Jersey.
4 Incorporated in Jersey and operating in Great Britain
5 The Group treats this entity as a joint venture rather than as an associate, despite owning 30%. This is as a result of joint control by means of equal membership of the management committee, which is the main decision making body.
* This percentage is equivalent to the number of ordinary shares or units held by the Group.

Investments in associates and joint ventures are set out in note 18d and note 18e to the Group financial statements. To avoid a statement of excessive length, details of investments which are not significant have been omitted. All of the above principal subsidiaries and joint ventures have been consolidated in the Group financial statements.

Glossary of terms

Capital Raising is the Company's firm placing and open offer for new equity of £69.2 million (gross) on 10 September 2009.

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns the management and performance fees arising from certain of the Group's associates and joint ventures.

Contribution is the Group's share of net rent less net interest arising from its joint ventures, associates and wholly owned entities, including unhedged foreign exchange movements.

EPRA adjusted fully diluted NAV per share includes the effect of those shares potentially issuable under employee share options and excludes own shares held. Any unrealised gains and capital allowances deferred tax provisions, surplus on the fair value of borrowings net of tax and surplus on the fair value of trading properties are added back.

EPRA earnings per share (EPS) is the (loss)/profit after tax excluding gains on asset disposals and revaluations and their related tax, movements in the fair value of financial instruments, intangible asset movements and the capital allowance effects of IAS 12 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 triple net fully diluted NAV per share includes the effect of shares potentially issuable under employee share options and excluding own shares held. NAV is adjusted for the fair value of debt and the fair value gain on trading properties.

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.

Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the Group's external valuers) assume rent received annually in arrears on gross values including the prospective purchaser's costs.

ERV growth is the total growth in ERV on properties owned throughout the year including growth due to development.

Gearing is the Group's net debt as a percentage of net assets. See through gearing includes the Group's share of non-recourse net debt in associates and joint ventures.

Initial yield is the annualised net rent generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties.

IPD is Independent Property Databank Ltd, a company that produces an independent benchmark of property returns.

Like-for-like (LfL) figures exclude the impact of property purchases and sales on year to year comparatives.

Loan to value (LTV) is the ratio of net debt (excluding fair value adjustments for debt and derivatives) to the aggregate value of properties (including trading properties), investments in joint ventures and associates, other investments and net current assets

Market value is an opinion of the best price at which the sale of an interest in a property would complete unconditionally for cash consideration on the date of valuation as determined by the Group's external or internal valuers. In accordance with usual practice, the valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

Net assets per share (NAV) are shareholders' funds divided by the number of shares held by shareholders at the period end, excluding own shares held.

Net 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, its associates and joint ventures.

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

Passing rent is gross rental income excluding the effects of tenant incentives.

Property under management (PUM) is the valuation of properties for which CRPM or X-Leisure Limited is the asset manager, plus the German portfolio.

Recurring pre-tax profit is Contribution plus management fees and SNO!zone income, less SNO!zone expenses and fixed management expenses.

Recurring pre-tax profit per share is the recurring pre-tax profit divided by the weighted average number of shares less own shares held.

Return on equity is the total return, including revaluation gains and losses, divided by opening equity plus time weighted additions to share capital, excluding share options exercised, less reductions in share capital.

Reversion is the estimated increase in rent at review where the gross rent is below the estimated rental value.

Reversionary percentage is the percentage by which the ERV exceeds the passing rent.

Reversionary yield is the anticipated yield, to which the initial yield will rise once the rent reaches the estimated rental value.

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 for less than one year.

Total return is the Group's total recognised income for the year as set out in the consolidated statement of recognised income and expense expressed as a percentage of opening equity shareholders' funds.

Total shareholder return is the movement in price per share plus dividends per share.

Triple net fully diluted NAV per share includes the dilutive effect of share options and adjusts all items to market value, including trading properties and fixed rate debt.

Vacancy rate is the ERV of vacant properties expressed as a percentage of the total ERV of the portfolio, excluding development properties.

Variable overhead includes discretionary bonuses and the cost of awards to employees made under the LTIP, Matching Share Agreement, COIP, SAYE and CAP, which is spread over the performance period.

Portfolio information

Portfolio under management

	30 December 2009 £m	30 December 2008 £m	30 December 2007 £m	30 December 2006 £m	30 December 2005 £m
Wholly owned	**84**	88	775	606	414
Associates	**2,408**	3,147	5,186	5,522	4,499
Joint ventures	**648**	750	174	329	226
Total	**3,140**	3,985	6,135	6,457	5,139

Figures exclude adjustments to property valuations for tenant incentives and head leases treated as finance leases. Trading properties are included at the lower of cost and net realisable value

Fund portfolio information (100% figures)

As at 30 December 2009

	The Mall	The Junction	X-Leisure	German Portfolio
Physical data				
Number of core properties	19	9	18	50
Number of lettable units	2,151	168	337	193
Lettable space (sq ft – '000s)	7,011	2,712	3,406	5,090
Valuation data				
Properties at independent valuation (£m)	1,317	572	519	535
Adjustments for headleases and tenant incentives (£m)	74	(20)	(7)	–
Properties as shown in the financial statements (£m)	1,391	552	512	535
Revaluation in the year (£m)	(301)	(64)	(93)	(21)
Initial yield (%)	7.79%	6.43%	7.91%	6.80%
Equivalent yield (%)	9.14%	7.58%	9.00%	n/a
Geared return (%)	(51.43)%	(32.20)%	(41.70)%	(9.78)%
Property level return (%)	(12.49)%	(5.27)%	(18.97)%	1.01%
Reversionary %	19.9%	8.3%	1.4%	n/a
Loan to value ratio (%)	78.4%	64.9%	68.3%	81.5%
Lease Data				
Average lease length to break	9.55	12.18	15.12	6.92
Average lease length to expiry	9.67	12.71	16.22	6.92
Passing rent of leases expiring in:				
2010	8.23	0.10	0.93	1.64
2011	9.10	0.34	0.26	2.50
2012-2014	24.48	3.93	0.91	16.31
ERV of leases expiring in:				
2010	13.67	0.78	0.98	n/a
2011	10.29	0.98	0.37	n/a
2012-2014	26.73	4.92	1.10	n/a
Passing rent subject to review in:				
2010	26.46	8.38	9.50	n/a
2011	18.22	6.35	15.03	n/a
2012-2014	24.03	19.92	39.41	n/a
ERV of passing rent subject to review in:				
2010	26.75	8.97	9.60	n/a
2011	17.58	6.73	15.20	n/a
2012-2014	25.38	20.68	40.57	n/a
Rental data				
Passing rent (£m)	128.9	39.0	45.3	40.3
Estimated rental value (£m per annum)	154.6	45.3	48.9	n/a
Rental increase (ERV) %	(4.06%)	(1.55%)	(2.86%)	n/a
Vacancy rate (%)	5.05%	6.34%	5.27%	1.92%
Like-for-like net rental income (100%)				
Current year net rental income				
Properties owned throughout 2008/2009	103.8	37.9	41.0	40.1
Disposals	7.2	7.0	2.0	–
Total net rental income	**111.0**	**44.9**	**43.0**	**40.1**
Prior year net rental income				
Properties owned throughout 2008/2009	112.7	34.0	40.3	35.9
Disposals	17.0	10.9	6.8	–
Total net rental income	**129.7**	**44.9**	**47.1**	**35.9**
Other Data				
Unit Price (£1.00 at inception)	£0.2947	£0.3221	£0.2172	n/a
Group Share	16.72%	13.44%	11.93%	48.82%

Five-year review

For the period 31 December 2004 to 30 December 2009

	IFRS 30 December 2009 £m	IFRS 30 December 2008 £m	IFRS 30 December 2007 £m	IFRS 30 December 2006 £m	UK GAAP 30 December 2005 £m
Balance sheet					
Property assets	**94.4**	98.9	790.0	621.8	425.8
Other fixed assets	**26.3**	31.7	9.0	1.2	0.7
Intangible assets	**2.6**	4.2	12.2	12.2	12.2
Investment in joint ventures	**30.3**	34.4	12.0	67.6	49.8
Investment in associates	**76.4**	182.3	599.4	685.4	583.7
Cash at bank	**17.5**	4.1	37.1	35.5	40.1
Other current (liabilities)/assets	**(25.7)**	(72.9)	(99.3)	(5.9)	21.7
Bank loans greater than one year	**(78.6)**	(93.8)	(622.4)	(456.8)	(395.7)
Convertible Unsecured Loan Stock	**–**	–	–	(1.3)	(3.0)
Other long-term liabilities	**(13.4)**	(2.8)	(35.0)	(46.6)	(27.6)
Net assets	**129.8**	186.1	703.0	913.1	707.7
Financed by					
Called up share capital	**9.9**	7.1	7.1	7.2	7.1
Share premium account	**–**	220.5	219.7	219.5	216.9
Revaluation reserve	**–**	–	2.4	2.7	0.4
Other reserves	**148.3**	8.5	6.6	7.0	14.1
Retained earnings	**(28.4)**	(50.0)	467.2	676.7	469.2
Capital employed	**129.8**	186.1	703.0	913.1	707.7
Return on equity					
Return on equity (%)	**(64.3)%**	(71.5)%	(18.1)%	31.6%	40.5%
(Decrease)/increase in NAV per share + dividend (%)	**(72.3)%**	(62.2)%	(14.2)%	30.8%	40.8%
Share price (decrease)/increase + dividend (%)	**(22.5)%**	(77.4)%	(73.0)%	81.0%	25.0%
Period end share price (pence)	**35p**	45p	392p	1542p	868p
Total return					
Total return	**(119.7)**	(502.7)	(165.1)	223.9	203.1
Net assets per share (pence)					
– Basic (restated) *	**37p**	130p	491p	626p	495p
– Triple net diluted (restated) *	**37p**	133p	499p	632p	491p
– EPRA diluted (restated) *	**47p**	174p	501p	628p	494p
Triple net diluted net assets per share growth (%) (restated)*	**(72.3)%**	(73.4)%	(21.1)%	28.9%	n/a
Gearing (%)	**61.9%**	60.5%	88.0%	50.0%	50.2%
Gearing (%) on a see through basis	**487.5%**	449.2%	190.0%	125.0%	126.0%
Income statement					
Group turnover	**37.8**	65.4	34.0	132.1	94.2
Gross profit	**21.8**	23.7	14.9	116.6	83.5
(Loss)/profit on ordinary activities before financing	**(105.1)**	(478.5)	(131.0)	274.5	216.9
Net interest payable	**(8.3)**	(37.8)	(36.0)	(23.6)	(18.2)
(Loss)/profit on ordinary activities before taxation	**(113.4)**	(516.3)	(167.0)	250.9	198.7
Taxation	**(6.3)**	14.1	0.2	(28.6)	4.0
(Loss)/profit after tax	**(119.7)**	(502.2)	(166.8)	222.3	202.7
Recurring pre tax profit	**17.5**	27.6	32.7	32.3	23.1
Fully taxed recurring dividend cover (x)	**–**	5.6	1.2	1.2	1.3
Interest cover (x)	**2.8**	1.2	1.2	2.1	1.9
Earnings per share (pence)					
– Basic (restated)*	**(59)p**	(355)p	(117)p	157p	146p
– Diluted (restated)*	**(59)p**	(355)p	(117)p	154p	141p
– EPRA (restated)*	**1p**	(39)p	19p	23p	25p
Dividends per share	**–**	5p	27p	26p	18p
Dividend cover (x)	–	–	–	1.8	4.8

* Historic figures are not amended for subsequent changes of accounting policies, but these items have been restated to reflect the impact of the open offer element of the Capital Raising.

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2010 financial calendar

Annual General Meeting	28 June 2010
Interim results	11 August 2010
2010 annual results	March 2011

Designed and produced by 85FOUR

Printed in England by Cousin

Cousin is a carbon neutral company with ISO 14001 accreditation: it recycles all solvents used in the printing process, making any waste ph neutral, and also hold FSC status.

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